

***The Way
We Make Government Go!***



Finance and Administration Cabinet

Fiscal Year 2003 - Year-End Report

**Gordon C. Duke
Cabinet Secretary**



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Paul E. Patton
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A Message from the Cabinet Secretary

The Finance and Administration Cabinet (FAC) is responsible for managing the financial resources of the Commonwealth while providing a number of central administrative services to both state and local government agencies. Our cabinet strives to provide quality services to its customers in the most efficient manner possible, while gauging success through the measurement of its performance. Included in the pages of our 2003 report, *"The Way We Make Government Go,"* you will find performance information at the statewide level, as well as at the cabinet level.

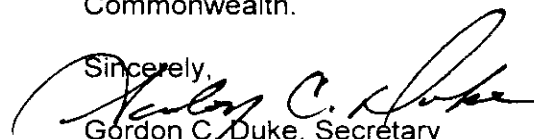
Over the past two years, the budgetary climate has brought significant challenges to the operation of state government agencies. The Commonwealth has experienced another year in which general fund expenditures exceeded the revenues. In an environment such as this, the quality of customer service is always at risk.

However, in spite of the current economic challenges, I am proud to report that the Finance and Administration Cabinet has made great strides toward improving our services in some very significant areas.

Some of the highlighted areas of improvement include:

- An overall increase of 32 percent in Capital Projects completed on budget;
- A 12 percent increase in Capital Projects completed on schedule;
- Bonds purchased at a cost of 14 percent below the Bond Buyer Index; and
- Employee training increased 67 percent from last year.

The Finance and Administration Cabinet remains committed to improving service, while holding ourselves accountable to our ultimate customers, the citizens of this Commonwealth.

Sincerely,

Gordon C. Duke, Secretary
Finance and Administration Cabinet



An Equal Opportunity Employer M/F/D

*The Way
We Make Government Go!*

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*The Way
We Make Government Go!*

Strategic Plan

Strategic Plan

Finance and Administration Cabinet

OUR VISION

We want to be...

Known and trusted as the best source in Kentucky state government for financial, property, and administrative services.

OUR MISSION

Our mission is...

To enable our customers to achieve their missions through leadership in the delivery of quality services, effective administration, and sound financial management.

OUR VALUES

We value...

- ◆ Public service
- ◆ Honesty and Integrity
- ◆ Fairness
- ◆ Professionalism
- ◆ Teamwork
- ◆ Continuous Improvement
- ◆ Responsibility and Accountability

Strategic Plan

Finance and Administration Cabinet

F&A Cabinet Alignment with Governor's Goals

The Finance and Administration Cabinet is responsible for making access to governmental services efficient, effective and easy. The Cabinet, through its various agencies, supplies the administration and oversight to build and lease buildings, purchase commodities, manage the state's financial resources and create the processes that make state government go. As we strategically plan for our future, our focus is on our customers, our employees and our processes as we strive to deliver the best possible service.

Our Cabinet's plan works to support the Governor's goal to "set Kentucky on the path to achieving economic opportunity and a standard of living above the national average in 20 years" in each of the six statewide strategies.

- 1. Promoting Economic Development:** The Finance and Administration Cabinet contributes to the economic growth of the Commonwealth by creating job opportunities through the award of state contracts for products and services. Our plan contains methods to encourage minority and disadvantaged business participation and measures the dollars generated through the awarding of state contracts. These construction projects provide local job opportunities for contractors, subcontractors and minority and disadvantaged business enterprises all across Kentucky.
- 2. Improving Education Product:** Through minority vendor education and enhancement of employees' professional skills, the Finance and Administration Cabinet works to improve the education of a vast number of constituencies. Armed with the right tools and the knowledge of state government procedures, minority vendors are more likely to participate in the bidding process for state contracts. Likewise, employees who receive appropriate and adequate training are more confident and productive and better able to effectively serve our wide range of customers.
- 3. Building Self-Sustaining Families:** The Cabinet strives to offer our employees a positive work environment in which they have career advancement opportunities, as well as room for personal and professional growth. Our plan focuses on retaining experienced and valuable employees and reducing employee absenteeism by providing opportunities for professional development, career enhancement and continuing education.

Strategic Plan

Finance and Administration Cabinet

F&A Cabinet Alignment with Governor's Goals *-Continued-*

4. **Strengthening Efficiency and Operations of Government:** From the construction, renovation and maintenance of state government facilities to the purchase of commodities and the management and audit of state finances, the Finance and Administration Cabinet's primary goal is to find better, easier and more efficient means to conduct the business of Kentucky state government. Under our plan, we will continually gather information on process improvement, enhance communication efforts and measure the satisfaction of our customers and employees.
5. **Reducing Crime and its costs to Society:** The Finance and Administration Cabinet works to achieve the best value for the Commonwealth in the construction of prison facilities, thereby holding down costs associated with the designing and building of correctional facilities. As in all our construction projects, we are working toward the completion of facilities on time and within budget. Additionally, the Cabinet is committed to providing a safe and secure work environment for all of our employees, as well as the citizens who visit our workplaces every day.
6. **Improving Quality of Life:** The Finance and Administration Cabinet improves the quality of life for all Kentuckians by responsibly managing the state's financial resources. The Cabinet also contributes to the cultural enrichment of all Kentuckians through the management, maintenance and preservation of all state-owned historic properties. These important structures, such as the majestic Capitol building, Old Capitol building and Old Governor's Mansion, chronicle our history and provide all visitors to these beautiful facilities with a sense of Kentucky's rich heritage.

Our Cabinet's goals and objectives focus on obtaining increased levels of satisfaction from our customers and employees of the Commonwealth. We look forward to the challenge of implementing our plan and learning from the information that we will obtain.

*The Way
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General Information

General Information

Finance & Administration Cabinet

Fund Management

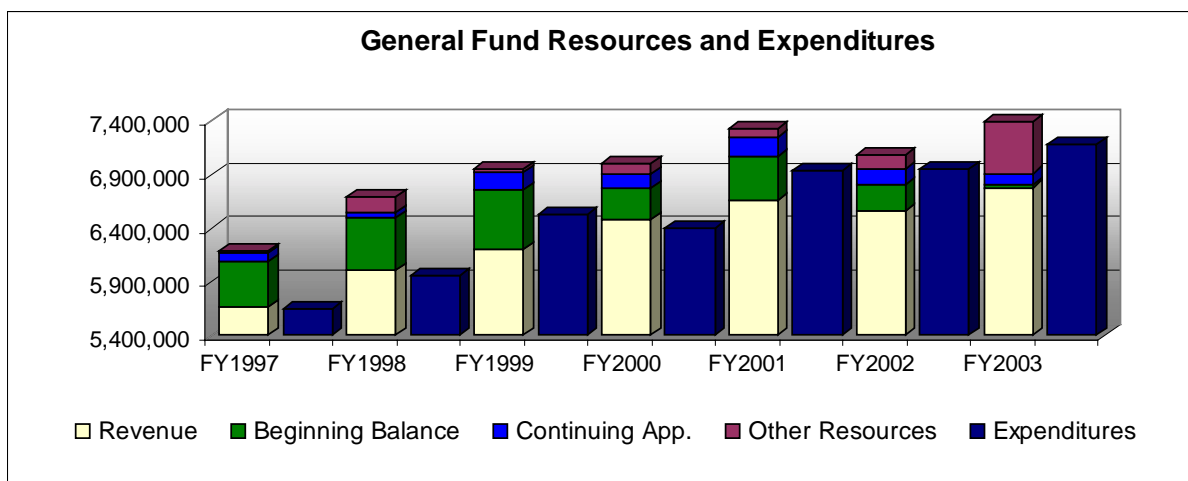
The Finance and Administration Cabinet is, by statute, responsible for “coordinating and supervising the fiscal affairs and fiscal procedures of the Commonwealth.” The Secretary of the Cabinet is the chief financial officer of the state.

The Cabinet is to prescribe a “unified accounting system” for the purpose of accurately recording and reporting all receipts and expenditures in a “fund” structure. This is accomplished through the Management Administrative Reporting System (MARS), which is an electronic accounting software package that provides budgeting, purchasing, accounting and reporting functions for all of the state’s many funds.

The chief operating fund of the Commonwealth is the General Fund. Tax receipts primarily compose the fund’s revenues. The remainder are miscellaneous financing sources, led by transfers in from other funds. These sources, along with any funds carried forward from the previous year, provide the funds available for expenditure in a year.

Expenditures from the General Fund occur in all three branches of government: Executive, Legislative, and Judicial. Available resources included in the following charts were allocated to each respective agency based on the provisions of the appropriations bills enacted by the General Assembly.

The following chart provides a comparison of available resources to the total Commonwealth expenditures within the General Fund (excluding revenue and expenditures attributed to Tobacco Settlement Funds). Resources are divided into Revenue, Beginning Balance, Continuing Appropriation and Other Sources. As is required by the Constitution, expenditures never exceed available funds.



General Information

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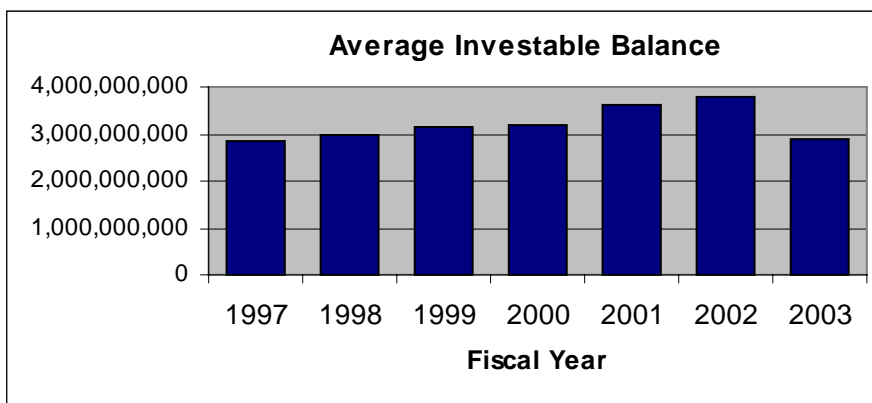
Investments Management

The State Investment Commission (Commission) is charged with overseeing the Commonwealth's investment programs pursuant to Kentucky Revised Statute (KRS) 42.500. The Commission is comprised of the Governor, Treasurer, Secretary of the Finance and Administration Cabinet and gubernatorial appointees who represent the Kentucky and Community Bankers Associations. The Commission delegates the day-to-day management of the Commonwealth's investments to the Office of Financial Management (OFM).

The Commonwealth's investments have been categorized into four distinct classifications or "pools."

1. The Short-Term Pool provides liquidity and ensures there are sufficient funds available to pay for government services each day.
2. The Intermediate-Term Pool is the largest investment pool and consists of Agency fund investments, state-held component unit and fiduciary fund accounts held for the benefit of others by the state.
3. The Long-Term Pool is the smallest investment pool and invests funds that have a longer time horizon of approximately 3-5 years and where liquidity is not a serious concern.
4. The remaining fund is the Bond Proceeds Pool, where capital construction bond proceeds are invested until expended for their intended purpose pursuant to Internal Revenue Service guidelines.

The purpose of these investment pools is to provide economies of scale that enhance yield; ease of administration for both the user agencies and OFM; and increased accountability and control.



General Information

Finance & Administration Cabinet

Debt Management

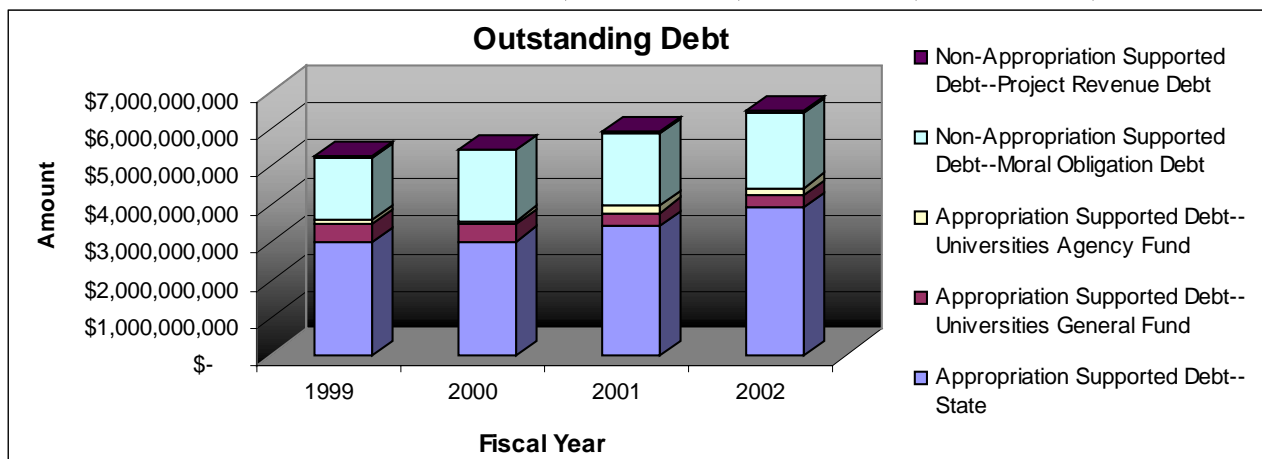
The Office of Financial Management (OFM) is responsible for the review and approval of all debt issued in the name of the Commonwealth. In this capacity, the office seeks to achieve the lowest debt service costs consistent with sound financial principles and program objectives.

The Commonwealth's indebtedness is classified as either appropriation supported or non-appropriation supported debt.

Appropriation Supported Debt carries the name of the Commonwealth and currently consists of project revenue obligations of one of the debt-issuing agencies created by the Kentucky General Assembly to finance various projects. The obligations are subject to state appropriations for all or a portion of the debt service on the bonds. Project revenue bonds pledge, as security for repayment of the debt, the revenues produced by the projects funded. Project revenue bonds are not a direct obligation of the Commonwealth, but in some cases, the associated revenues are derived partially or solely from biennial appropriations of the General Assembly.

Non-appropriation or moral obligation debt carries the name of the Commonwealth for the benefit and convenience of other debt issuing entities within the state. The bonds are special obligations of the issuer, secured and payable solely from the sources pledged for the payment thereof and do not constitute a debt, liability, obligation or a pledge of the faith and credit of the Commonwealth.

Office of Financial Management Debt (Principal Outstanding)				
Agency	6/30/1999	6/30/2000	6/30/2001	6/30/2002
Appropriation Supported Debt--State	\$ 2,986,495,970	\$ 3,014,593,913	\$ 3,407,643,000	\$ 3,906,675,382
Appropriation Supported Debt--Universities General Fund	\$ 485,815,000	\$ 445,215,000	\$ 367,500,000	\$ 328,890,000
Appropriation Supported Debt--Universities Agency Fund	\$ 117,643,000	\$ 97,158,000	\$ 191,073,000	\$ 188,363,000
Non-Appropriation Supported Debt--Moral Obligation Debt	\$ 1,623,530,000	\$ 1,853,325,000	\$ 1,902,010,000	\$ 1,994,475,000
Non-Appropriation Supported Debt--Project Revenue Debt	\$ 37,785,000	\$ 36,165,000	\$ 34,475,000	\$ 32,710,000
Total	\$ 5,251,268,970	\$ 5,446,456,913	\$ 5,902,701,000	\$ 6,451,113,382



General Information

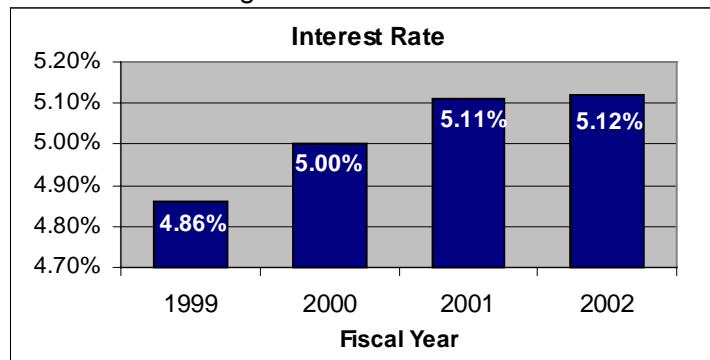
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Debt Management, continued

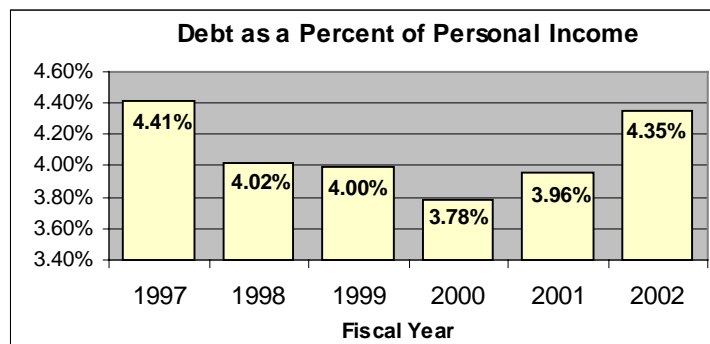
OFM monitors the interest rate and call provisions for appropriation supported debt issued in the name of the Commonwealth and compares that rate to the current prevailing rate for similar debt in the open market. In general, tax-exempt bonds can be advance refunded only one time under current Internal Revenue Service guidelines. An advance refunding is one that occurs prior to the call date, which is a date usually ten years from the date the bonds were originally issued. If a re-issuance of the bond would result in a savings of approximately five percent, OFM will normally re-finance the bond. OFM also considers the value of the options should rates decline before executing the one-time refunding opportunity.

If the bond has reached its call date, OFM applies a slightly different rule in evaluating a potential refunding candidate. If a refunding will result in a one percent savings per year for bonds with less than five years to maturity, and at least twice the cost of the re-issuance, OFM will normally refund the bond.

The following chart reflects the average interest rates on state debt for the most recent four years.



OFM is also responsible for compiling economic data and calculating the amount of debt that can be issued in the name of the Commonwealth and still maintain favorable bond ratings. Several factors are used in this analysis, including comparing the amount of debt to the total Commonwealth property value, total Commonwealth population, total Commonwealth personal income, and total government revenues. The following chart provides the amount of debt compared to personal income for the last six years. The chart demonstrates that while the overall amount of debt (as shown on the previous page) has increased, when compared to personal income, the percentages are less than those five years ago.



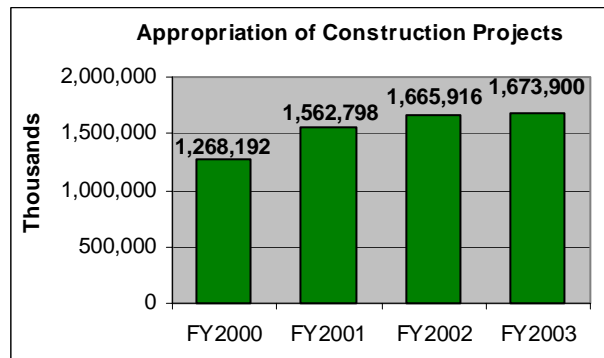
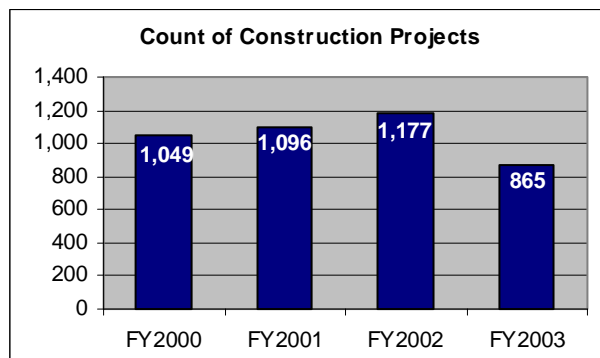
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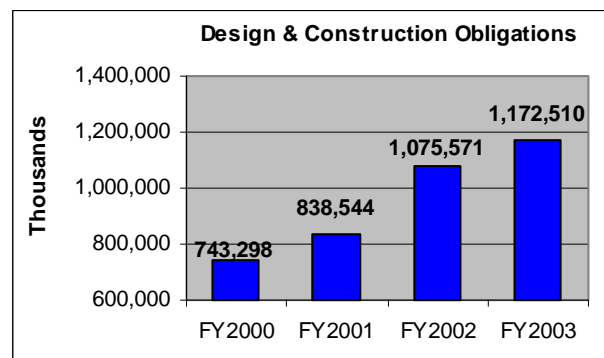
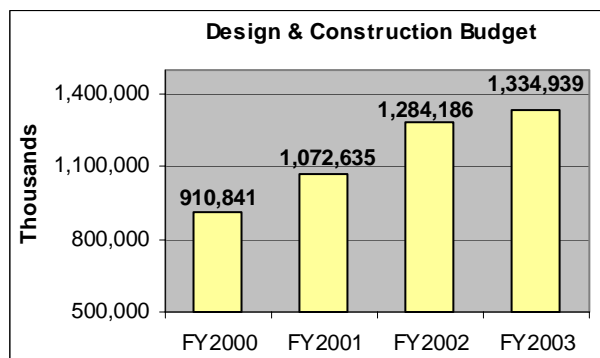
Capital Construction Management

Finance has the responsibility to oversee the majority of all Commonwealth capital construction activities. Exceptions to this include universities that have taken the option afforded them in KRS 164A.560 to perform those functions themselves. Murray State University, the University of Louisville, and the University of Kentucky have chosen to perform these functions themselves.

Commonwealth capital construction activities are tracked through MARS in the Capital Projects Fund. Construction projects are appropriated by the General Assembly identifying the funding sources and a general description of the project. It is the responsibility of the Department for Facilities Management (Facilities) to scope the project to fit those available resources, design the construction, and then to perform the construction. The majority of the architectural, design, and construction work is outsourced. Facilities performs the procurement functions for that work and then monitors its execution to ensure the result meets the intent of the General Assembly, and the needs of the customer. The following charts display the total capital projects, for which Facilities was responsible, that included design or construction activities, which were active at the end of each fiscal year.



The above project appropriation includes components for which Facilities is not responsible. The following charts present the budget and the obligation (expenditure + encumbrance) of the design and construction phases of the projects.



General Information

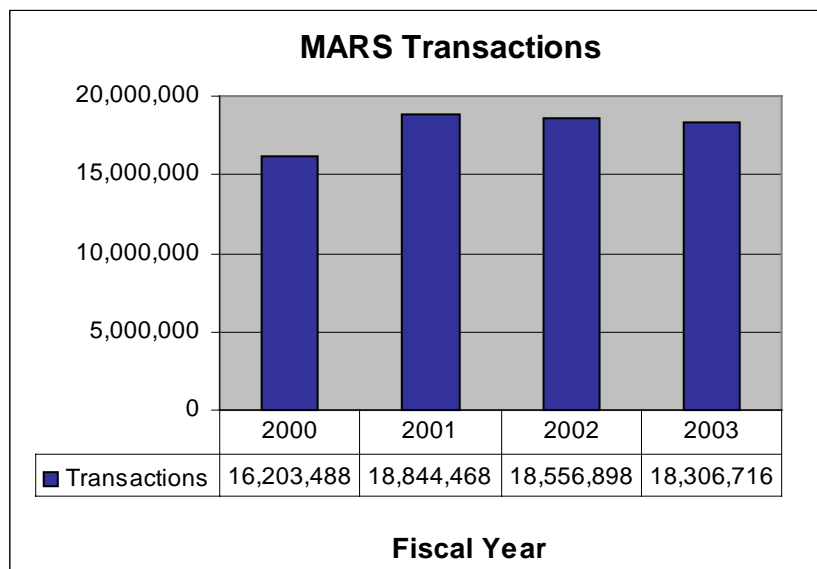
Finance & Administration Cabinet

Accounting Transactions

MARS is the Commonwealth's official system of record for all financial inquiries. One of the primary requirements of any financial system is the ability to process transactions in support of accounting events in a timely fashion, and store details of those transactions as an audit trail, for future inquiries. Through MARS, the Office of the State Controller has continued the receipt of the Certificate of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report (CAFR) from the Government Finance Officers Association. There are only eight (8) states that have received this certificate more times than Kentucky.



It is equally important for a financial system to provide the Commonwealth's financial and programmatic managers information that assists them in planning, executing and reporting activity for their programs in the appropriate level of detail for any research they may need to capture. This information is all captured at the time of transaction input, and stored nightly on the Commonwealth's Management Reporting Database (MRDB). In the MRDB the detail transactions for each of the previous four years are available for Commonwealth managers and auditors. The chart below reflects transactions for each of the past four years, excluding those required to restate the Commonwealth activity for the CAFR.

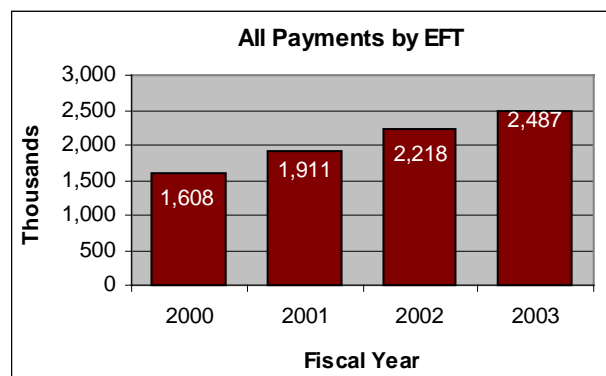
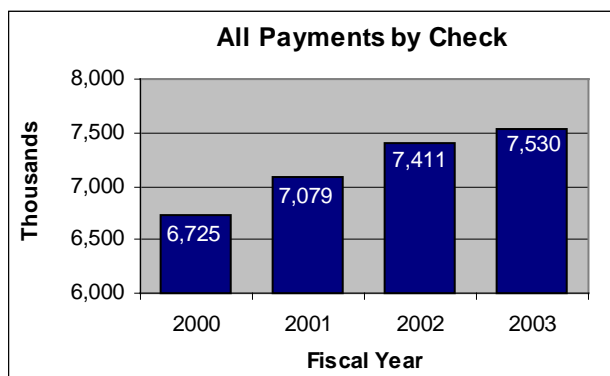


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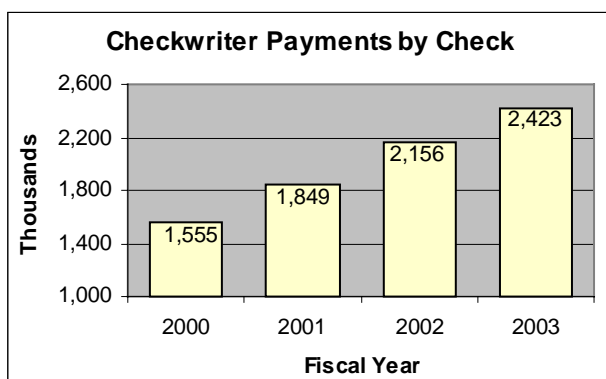
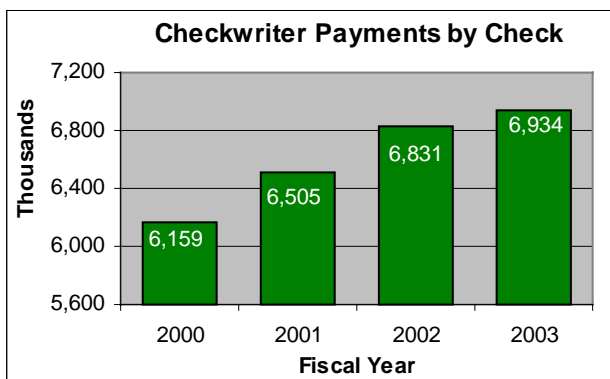
Finance & Administration Cabinet

Payment Processing

The Finance and Administration Cabinet (F&A) is charged with the effective financial operation of the Commonwealth. All Commonwealth payments are first recorded and validated through MARS. There are three methods by which the Commonwealth issues payments for goods, services, grants, and other liabilities: Check, Electronic Funds Transfer (EFT's), and Federal Wire Transfers (Fedwires). During the fiscal year that ended June 30, 2003, Finance authorized payments exceeded \$65 billion, which includes the billions of dollars in payments for the purchase and re-purchase of investments. The amount of lead-time the Commonwealth has prior to the payment due date, the issuance cost to the Commonwealth, and the method of payment receipt desired by the payee provide the basis for determination of the payment method. The following charts document the total count of payments over the past four years.



The primary MARS process that issues payments is commonly called "Checkwriter". It is used to issue large blocks of payments to payees that are not the providers of goods and services of the Commonwealth, by receiving electronic files of payment information from other automated systems in the Commonwealth. The information MARS stores for these payments is not as extensive as that stored for other payments. Examples of these payments include retiree, payroll, and public assistance payments. The following graphs document the makeup of these payments over the last four years.



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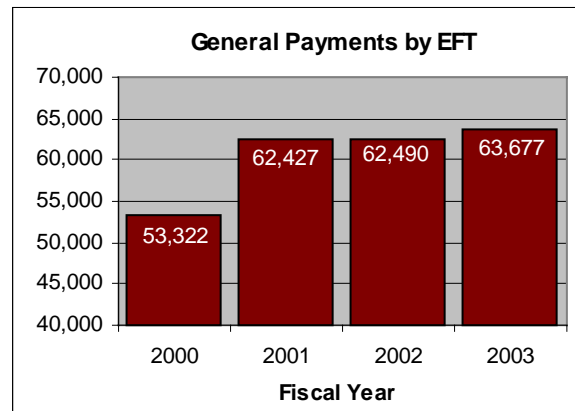
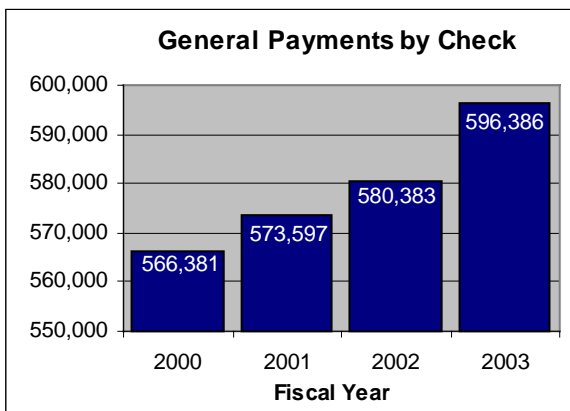
Finance & Administration Cabinet

Payment Processing, continued

MARS also provides the ability to enter payment information directly into the on-line components of the system. Procurement payments are entered into the Procurement Desktop (PD) system, and non-procurement type payments are entered directly into the Advantage Financial System (ADVANTAGE). The following chart provides the counts of all payments entered directly into PD and ADVANTAGE that are paid through checks and EFT's.

The Commonwealth strives to identify EFT payment opportunities where vendors can be paid without the need to notify them in any written format of the associated payment; thereby, saving on print and mail costs. Examples of these EFT payments currently issued through entry directly into the online MARS modules include payments to elementary and secondary schools for the Support Education Excellence in Kentucky (SEEK) program, and property rental payments.

Finance developed a computer system in 2002 whereby the Commonwealth can establish a relationship with vendors to provide goods and/or services to the various Commonwealth agencies, but send one electronic bill to Finance for all the agencies supported. Finance will pay this one bill, and then distribute the charges to all affected agencies. This type of program provides benefits to both the vendor and the Commonwealth.



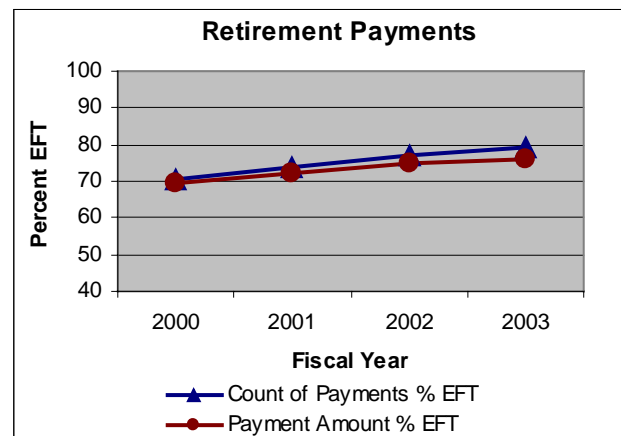
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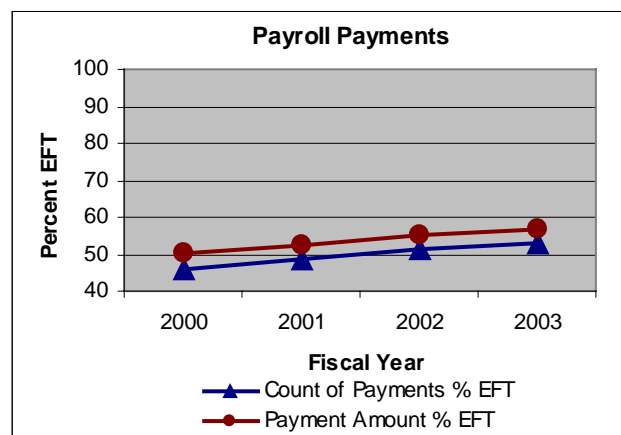
Payment Processing, continued

EFT's are an efficient method of payment when the Commonwealth has a long-term relationship with the payee. Two examples of these relationships are retirement payments: those made by the Kentucky Retirement System to retired county, state police, and state employees; and payments by the Kentucky Teachers Retirement System to retired teachers. Another example is the payroll payments made by the Personnel Cabinet to current state employees. The EFT process for employee payments is provided as an employee benefit, since Payroll still issues a pay stub which must be delivered to each employee, even when paid through EFT. For the first time, in fiscal year 2002, the count of EFT payments exceeded check payments for Payroll. The following charts and tables provide the counts and percentages of these checkwriter payments through checks and EFT's.

KY Retirement and KY Teachers Retirement Payments						
Fiscal Year	Count of Payments			Payment Amount		
	Check	EFT	% EFT	Check	EFT	% EFT
2000	283,476	680,957	71	339,881,061	765,833,719	69
2001	267,798	759,270	74	346,490,334	888,652,360	72
2002	250,803	832,649	77	347,401,344	1,028,759,639	75
2003	239,251	907,827	79	372,575,992	1,182,805,675	76



Payroll Payments						
Fiscal Year	Count of Payments			Payment Amount		
	Check	EFT	% EFT	Check	EFT	% EFT
2000	623,323	529,500	46	407,716,870	410,458,202	50
2001	602,503	570,525	49	411,076,028	455,377,993	53
2002	578,631	615,203	52	412,614,609	508,675,011	55
2003	561,418	636,320	53	411,754,351	536,517,675	57



*The Way
We Make Government Go!*

*To Continually Improve
the Way We Work*

OVERHEAD BURDEN

Goal 1 - To Continually Improve the Way We Work

Objective 1.1 - Deliver Our Products/Services Using the Fewest Resources Possible

Performance Measure: Finance and Administration Cabinet Overhead Burden (Compared to State Spending)

Measure Owner: Yvette Smith/Todd Bailey, Office of Management and Budget

Background: This metric measures the Finance and Administration (F&A) Cabinet's level of efficiency in delivering services with the lowest possible resources by comparing the percent of burden for the Cabinet to the overall expenditures of the Commonwealth of Kentucky (State). All debt service expenditures have been excluded.

The "F&A Cabinet Operating" data represents the net expenditures for operating funds for the F&A Cabinet. Agencies that are administratively attached to the F&A Cabinet are not reflected in this metric.

The "State" expenditures include Commonwealth of Kentucky expenditures for all operating funds.

Purpose of Measure

This measurement tracks by fiscal year the percentage of the total expenditures for the Commonwealth that can be attributed to the F&A Cabinet. Trended patterns would assist in identifying increased/decreased expenditure activity in the areas of personnel, operating, grants, and capital outlay. Instances of significant deviations will aid in targeting improvement efforts.

Factor(s) Affecting Variability

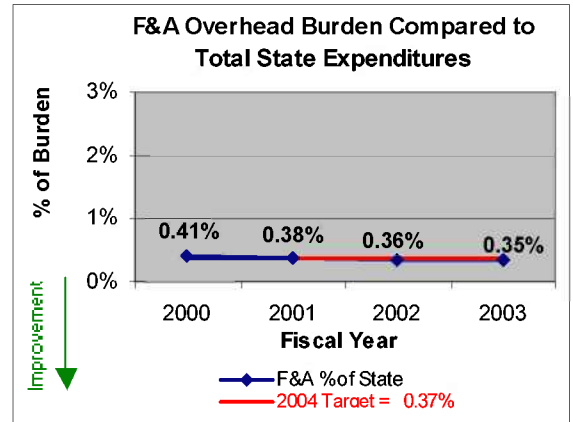
Various factors influencing the variability might include replacement of computer and postal equipment and Management Administrative Reporting System (MARS) enhancements. Expenditures of this type would inflate the Cabinet's costs short-term yet allow agencies to operate more efficiently in the long-term.

Factor(s) Required for Improvement

Teamwork is an important factor in efficiently delivering products and/or services. Coordination and communication among all staff are primary concerns. Suggestions to reduce overhead burden might include: review tasks for consolidation; eliminate duplication of effort; cross-train in an effort to reduce any gaps in delivery of products/services; train employees to develop both functional and technical skills; and maintain efficient computer usage.

Metric Data

Expenditures (Less Debt Services)			
Fiscal Year	F&A Cabinet Operating	State	F&A % of State
2000	\$ 59,425,946	\$ 14,535,958,764	0.41%
2001	\$ 59,905,448	\$ 15,623,257,858	0.38%
2002	\$ 59,169,500	\$ 16,458,074,984	0.36%
2003	\$ 58,677,870	\$ 16,956,774,458	0.35%



INTERNAL OVERHEAD

Goal 1 - To Continually Improve the Way We Work

Objective 1.1 - Deliver Our Products/Services Using the Fewest Resources Possible

Performance Measure: Finance and Administration Cabinet Overhead Burden (Internal)

Measure Owner: Yvette Smith/Todd Bailey, Office of Management and Budget

Background: One of the Finance and Administration (F&A) Cabinet's primary objectives is to use the Commonwealth's money efficiently while incurring the lowest possible administrative expense. This metric compares the F&A Cabinet's internal administrative burden to its total operating expenditures.

This measurement tracks by fiscal year the percentage of total non-debt service F&A expenditures that are administrative in nature, which consist primarily of personnel costs.

The "F&A Administrative Overhead" data represents the total expenditures from those areas within the Cabinet, which provide *internal* administrative support directly to the Cabinet. Offices included in the "F&A Administrative Overhead" totals are: Technology Services, Management and Budget, and Legal and Legislative Services.

The "F&A Cabinet Operating" data represents the net expenditures for operating funds for the F&A Cabinet. Agencies that are administratively attached to the F&A Cabinet are not reflected in this metric.

Purpose of Measure

By tracking the percent of overhead burden the F&A Cabinet will be able to identify trended growth patterns in the areas of salaries and wages, legal and other professional or consulting services. Any significant deviation from the growth patterns will aid in targeting for continuous improvement.

Factor(s) Affecting Variability

The results of this metric will fluctuate based on budgetary constraints. These constraints include the ability to fill vacancies and the ability to provide salary increases. In addition, the salary levels of career employees who provide administrative support services will also impact the variability of this metric.

Increased personnel costs contributed to the rise in the cabinet overhead burden. In Fiscal Year (FY) 2002, contracts for legal services increased \$116,800; Management and Budget paid approximately \$59,000 in retirement buyouts; and Technology Services hired additional staff.

Total operating expenditures decreased each year for Management and Budget and Legal and Legislative Services. In Technology Services total operating increased approximately 5% from FY2001 to FY2002.

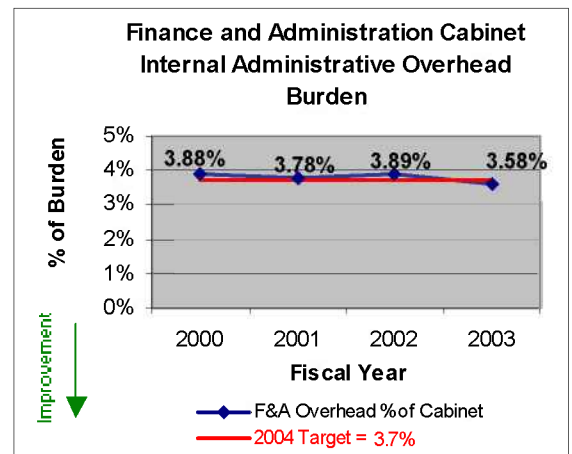
Factor(s) Required for Improvement

Since administrative costs are comprised mostly of personnel costs, and some fixed operating expenditures, i.e., rent, utilities and insurance premiums, ways to lower costs are limited.

However, following additional research and an analysis of expenditures through the second quarter FY2004, these factors will be better determined.

Metric Data

Expenditures (Less Debt Services)			
Fiscal Year	F&A Administrative Overhead	F&A Cabinet Operating	F&A Overhead % of Cabinet
2000	\$ 2,303,342	\$ 59,425,946	3.88%
2001	\$ 2,264,640	\$ 59,905,448	3.78%
2002	\$ 2,298,957	\$ 59,169,500	3.89%
2003	\$ 2,102,633	\$ 58,677,870	3.58%



LEASED VS. OWNED SPACE

Goal 1 - To Continually Improve the Way We Work

Objective 1.1 - Deliver Our Products/Services Using the Fewest Resources Possible

Performance Measure: Leased vs. Owned Space in Franklin County (by Square Feet)

Measure Owner: Ellen Nolan, Department for Facilities Management/Division of Real Properties

Background:

The Division of Real Properties leases space for state agencies. In addition, the Division holds the deeds on space owned by the Commonwealth. In the FANTUS Study, conducted in Fiscal Year 1997 on the space allocation in Franklin County, it was determined that the most beneficial configuration of space for Franklin County is 15% leased space vs. 85% owned space. At the time of the study, 3,969,855 sq ft of space was owned (69%) and 1,793,936 sq ft was leased space (31%). This study excluded university space and parking lot space. There is almost constant shifting of space requirements and allotments for the various agencies in state government. The ability of the Department to affect change in this area is limited by its ability to purchase and/or build new buildings. These two scenarios are dependent upon legislative approval of expenditures.

There is a Franklin County 10-year Master Plan which, after complete implementation, will affect reduction in the dependency on leased property within the range proposed by FANTUS Study. Implementation/Success of this plan is dependent upon the legislature funding the various projects involved in the plan and projected zero growth of government.

Purpose of Measure:

This measure will assist Real Properties in determining the current space configuration versus the goal of 85% established by the FANTUS study.

Improvement in this area will be demonstrated by an increase in the percentage of owned space over leased space. Owned space approaching the 85% goal is improvement. Owned space moving away from the 85% goal is an indication that process improvement may be necessary.

Factors Affecting Variability

Variability is impacted by legislative approval of expenditures on either building new buildings or purchasing existing space and on the creation/expansion of governmental programs.

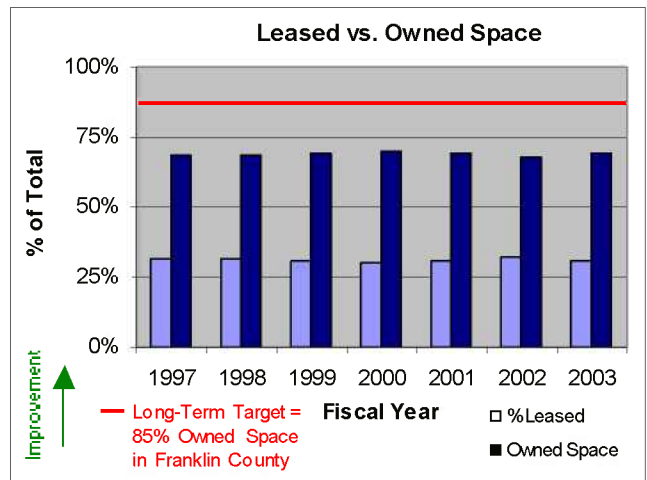
It is also impacted by agencies using space in a cost efficient manner.

Factor(s) Required for Improvement

1. Increase in the Capital Construction Program with authorization for new construction.
2. Implementation of New Space Standards by the Division of Real Properties (emphasizing use of modular partitions vs. floor-to-ceiling).
3. Completion of the 10-year plan in Franklin County.

Metric Data

F&A Leased vs. Owned Space					
Fiscal Year	Leased Space	Owned Space	Total Space	% Leased	% Owned
1997	1,793,936	3,969,855	5,763,791	31.1%	68.9%
1998	1,815,440	3,951,749	5,767,189	31.5%	68.5%
1999	1,865,302	4,235,092	6,100,394	30.6%	69.4%
2000	1,868,642	4,329,732	6,198,374	30.1%	69.9%
2001	1,896,814	4,244,583	6,141,397	30.9%	69.1%
2002	2,013,209	4,316,316	6,329,525	31.8%	68.2%
2003	1,945,361	4,420,427	6,365,788	30.6%	69.4%



UTILITY COSTS/ENERGY INEFFICIENCY

Goal 1 - To Continually Improve the Way We Work

Objective 1.1 - Deliver Our Products/Services Using the Fewest Resources Possible

Performance Measure: Utility Costs/Energy Inefficiency

Measure Owner: Ellen Nolan, Department for Facilities Management

Background

The Department for Facilities Management (DFM) provides utility services for all facilities operated by the Finance and Administration (F&A) Cabinet. This performance metric tracks "energy inefficiency." It notes the number of office buildings, and the associated square footage, in which the cost for utilities substantially exceeds the average cost of utilities for office buildings. "Substantially exceed" has been defined as utility costs per square foot that are 10% or more above this average. It also measures the total amount of excess utility cost due to these inefficiencies.

One difficulty in measuring energy efficiency from year-to-year is that weather conditions and price per unit as charged by utility companies can independently affect the ultimate costs for utilities. These measures attempt to adjust for these variations.

Purpose of Measure

This measure will assist the DFM in its efforts to keep costs as low as possible by identifying office buildings that are most "inefficient" in their consumption of utilities. By comparing each individual building's usage to the average usage by buildings, uncontrollable year-to-year variables -- such as the per-unit cost of energy and weather conditions -- are somewhat adjusted.

By tracking buildings through this measure, the Department will be able to focus its limited resources on those buildings most in need of energy efficiency assistance. The metric also enables the Department to verify that improvement efforts are successful.

In Fiscal Year (FY) 2004, DFM will target improvement in one building, with improvement of 115,000 square foot and \$125,000.

Factor(s) Affecting Variability

Factors such as weather conditions and the market price of utilities directly affect this measure. In addition, changes in the usage of buildings may change the energy consumption patterns.

In FY2001 there was a substantial increase in the wholesale cost of natural gas. In FY2003, DFM assumed management of four buildings from Cabinet for Families and Children. Two of the buildings are included in the inefficient building computations.

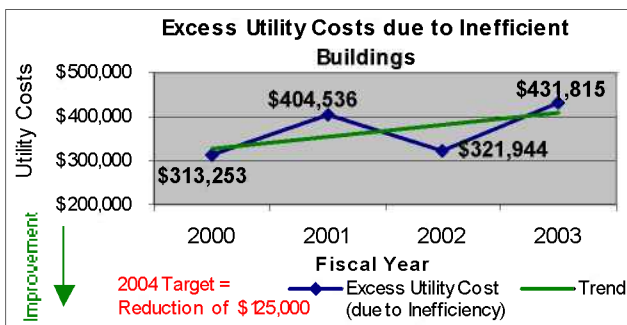
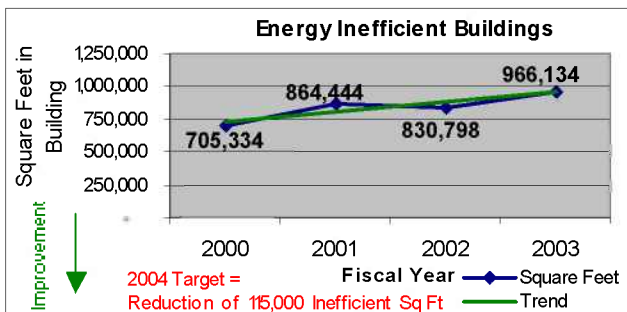
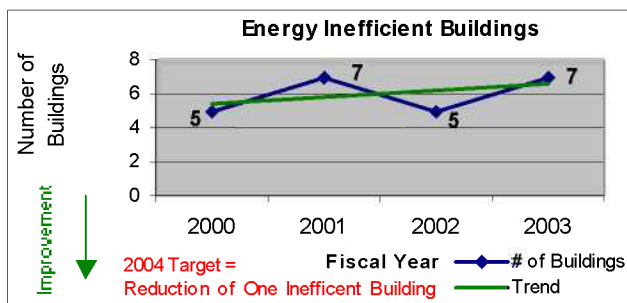
"The Way"
Fiscal Year 2003

Factors Required for Improvement

All buildings that generate utility costs of 10% or more above the average, point to a need for a concerted improvement effort. The Department should evaluate those buildings for upgrades in energy efficiency equipment or encourage practices by the building occupants that will reduce energy usage. The measure that shows total excess costs due to inefficient buildings indicates that the agency is addressing those buildings in which energy inefficiency is resulting in the highest costs.

Metric Data

Fiscal Year	Total Buildings	Utility Costs		
		Energy Inefficient Buildings		
		# of Buildings	Square Feet	Excess Utility Cost (due to Inefficiency)
2000	20	5	705,334	\$ 313,253
2001	21	7	864,444	\$ 404,536
2002	22	5	830,798	\$ 321,944
2003	26	7	966,134	\$ 431,815



Finance and Administration
Cabinet

UTILITY COST PER SQUARE FOOT

Goal 1 - To Continually Improve the Way We Work

Metric Data

Objective 1.1 - Deliver Our Products/Services Using the Fewest Resources Possible

Performance Measure: Utility Cost per Square Foot

Measure Owner: Ellen Nolan, Department for Facilities Management

Background

The Department for Facilities Management (DFM) provides utility services for all facilities operated by the Finance and Administration (F&A) Cabinet. This performance metric tracks overall average utility cost per square foot for these facilities. It notes the total square footage of all facilities, the total utility cost, and the average cost per square foot.

Purpose of Measure

This measure will assist the DFM in its efforts to keep costs as low as possible by providing a baseline measure against which "inefficient" facilities can be measured regarding their consumption of utilities. By comparing each individual building's usage to the average usage by all buildings, the Department will be able to focus its limited resources on those buildings most in need of energy efficiency assistance.

In Fiscal Year (FY) 2003, Governor Paul E. Patton mandated a 10% reduction in energy expenditures. DFM's target for FY2003 then was 10% reduction. In FY2004, there is an anticipated 60% increase in Natural Gas prices. This will cause an increase in Utility costs.

Factor(s) Affecting Variability

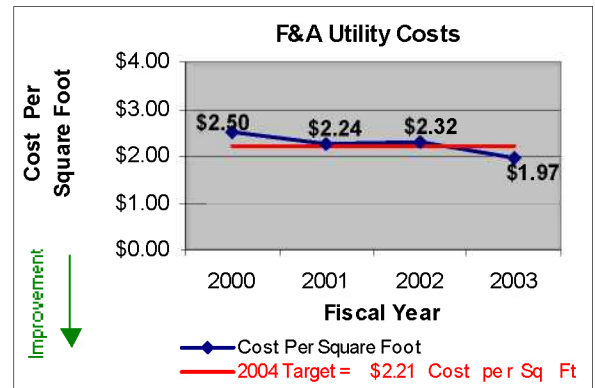
Factors such as weather conditions and the market price of utilities directly affect this measure. In addition, changes in the usage of buildings may change the energy consumption patterns. DFM recalculated the square feet of its buildings in FY2004, total interior square feet are now being reported in this measure.

In FY2001 there was a substantial increase in the wholesale cost of natural gas.

Factors Required for Improvement

The Department can use this measure to help identify potential areas of improvement. Increases in average utility costs will be investigated to ascertain the cause of any such increase and lead to increased measures of energy consumption efficiency that are within the Department's control.

F&A Utility Costs			
Total (All Buildings)			
Fiscal Year	Total Square Footage	Total Utility Cost	Cost Per Square Foot
2000	2,005,791	\$5,022,899	\$2.50
2001	2,584,089	\$5,790,814	\$2.24
2002	2,584,089	\$5,986,048	\$2.32
2003	3,232,809	\$6,355,521	\$1.97



COMPETITIVE BID CONTRACTS

Goal 1 - To Continually Improve the Way We Work

Objective 1.1 - Deliver our Products/Services Using the Fewest Resources Possible

Performance Measure: Competitive Bid Contracts (Percent of Total Contracts)

Measure Owner: Mike Burnside, Department for Administration; Division of Material and Procurement Services (DMPS).

Background

The Finance and Administration (F&A) Cabinet objective is to improve competition in the public procurement process, thereby minimizing the prices paid for commodities and services. This metric tracks by fiscal year, the percentage of contracts issued for commodities and non-professional services for all state agencies that were established through a competitive bid process. The F&A Cabinet reviews only a fraction of the total number of contracts issued by state agencies each year; however, it gives prior approval for exemptions to the formal bidding process for the Executive Branch.

All Procurement Desktop contracts were analyzed for inclusion in the metric. Contracts for Personal Service Contracts, Memoranda of Agreement, Memoranda of Understanding, and the distribution of grant monies were excluded from the data totals, because they undergo a different procurement process than those for commodities and non-professional services. Contracts less than \$1,000 were also excluded as they fall under the statutory definition of a single-quote small purchase for all state agencies. Non-Competitive Contracts were selected according to the following:

- **Sole Source:** contracts procured under Finance and Administration Policy (FAP) 111-10-00. Examples include goods/services that are copyrighted or patented, computer software, and other goods/services that are available from only one source.
- **Specified by Law or Regulation:** contracts procured under FAP 111-08-00. Examples include expert witnesses, purchases for resale, and works of art.
- **Not Practicable to Bid:** contracts procured under FAP 111-09-00. Examples include fresh produce, advertisements, and transcripts.
- **Governmental Bodies:** contracts procured under Kentucky Revised Statute (KRS) 45A.470. Examples include Kentucky Correctional Industries and New Vision Enterprises.

Purpose of Measure

This indicator will help to quantify the level of competition that exists in the public procurement process.

The expectation is that higher levels of competition will result in both lower prices for Commonwealth agencies and enhanced opportunities for the vendor community.

Trended patterns will assist in identifying areas where improvement may need to occur to improve efficiencies.

Factor(s) Affecting Variability

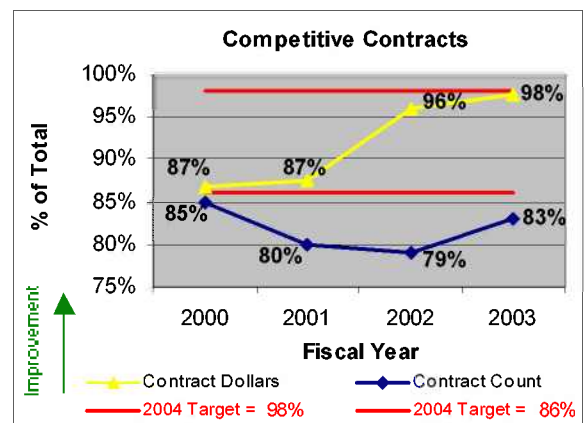
With the implementation of EMPOWER Kentucky, public procurement was decentralized and placed in the hands of the agencies to the maximum extent practical. Users are thus able, depending on the amount of the contract, to choose the authority they use to award contracts within the existing statutes and regulations.

Factor(s) Required for Improvement

Improvement will be through training on the importance of using a competitive bidding process to the maximum extent practical. F&A personnel can conduct more stringent reviews of all requests for exemption to bidding and ensure that each approved request is fully justified in accordance with existing statutes and regulations. Additionally, House Bill 269 requires the Secretary of Finance to minimize the number of sole source contracts.

Metric Data

Competitive Contracts				
Contract Count	Fiscal Year			
	2000	2001	2002	2003
Total Contracts Issued	6954	7930	8943	9670
Sole Source	507	765	900	707
Law/Regulation	158	321	334	265
Not Practicable to Bid	387	505	639	658
Governmental Bodies	4	1	11	18
% Competitive	85%	80%	79%	83%
Contract Dollars	Fiscal Year			
	2000	2001	2002	2003
Total Contracts Issued	129,403,905	237,226,232	823,046,669	1,580,448,400
Sole Source	12,400,174	18,541,110	20,324,128	20,155,460
Law/Regulation	1,248,687	4,229,339	6,203,006	3,725,232
Not Practicable to Bid	3,558,120	7,062,470	7,061,599	14,569,623
Governmental Bodies	0	49,248	23,077	3,400
% Competitive	87%	87%	96%	98%



EMERGENCY PURCHASES/CONTRACTS

Goal 1 - To Continually Improve the Way We Work

Objective 1.1 - Deliver our Products/Services Using the Fewest Resources Possible

Performance Measure: Emergency Purchases (Percent of all Contracts Issued)

Measure Owner: Mike Burnside, Department for Administration; Division of Material and Procurement Services (DMPS).

Background

The Finance and Administration (F&A) Cabinet objective is to improve competition in the public procurement process, thereby minimizing the prices paid for commodities and services. This metric tracks, by fiscal year, the percentage of the total number of contracts issued for commodities and nonprofessional services for all state agencies that were established without a competitive bid process through emergency provisions.

All Procurement Desktop contracts were analyzed for inclusion in the metric. Contracts for Personal Service Contracts, Memoranda of Agreement, Memoranda of Understanding, and the distribution of grant monies were excluded from the data totals, because they undergo a different procurement process than commodities and non-professional services.

Contracts procured under Kentucky Revised Statute (KRS) 45A.095, further defined by Finance and Administration Policy (FAP) 111-39-00 for each fiscal year were identified as Emergency contracts.

In the event of an emergency, a cabinet secretary or agency head can declare that an emergency exists and proceed with the procurement without the prior approval of the F&A Cabinet. However, the agency head must present a letter to the Secretary of F&A after the fact that explains the circumstances and requests approval for payment. In many cases, the agency will solicit bids from a number of sources before proceeding with the emergency purchase. While emergency purchases are not always done as sole source contracts, they are conducted outside the normal procurement process.

Purpose of Measure

This indicator will help to quantify the level of competition that exists in the public procurement process. The expectation is that higher levels of competition will result in both lower prices for Commonwealth agencies and enhanced opportunities for the vendor community.

Trended patterns will assist in identifying areas where changes may need to occur to improve efficiencies.

Factor(s) Affecting Variability

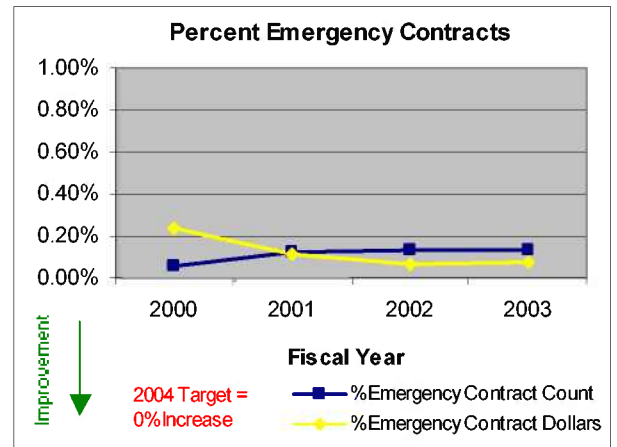
Emergencies by their very nature connote variability. The manner in which each emergency is treated, however, can result in varying levels of competition. That is, even though there is an emergency, sometimes there is sufficient time to collect bids from more than one supplier to rectify the emergency.

Factor(s) Required for Improvement

Improvement will be through training on the importance of using a competitive bidding process to the maximum extent practical. F&A personnel can conduct more stringent reviews of all requests for exemption to bidding and ensure that each approved request is fully justified in accordance with existing statutes and regulations.

Metric Data

Emergency Contracts				
Contracts	Fiscal Year			
	2000	2001	2002	2003
Total Contract Count	6954	7930	8943	9670
Total Contract Dollars (Thousands)	129,404	237,226	823,047	1,580,448
Emergency Contract Count	4	10	12	13
Emergency Contract Dollars (Thousands)	302	261	549	1,174
% Emergency Contract Count	0.06%	0.13%	0.13%	0.13%
% Emergency Contract Dollars	0.23%	0.11%	0.07%	0.07%



PERSONAL SERVICES CONTRACTS

Goal 1 - To Continually Improve the Way We Work

Objective 1.1 - Deliver our Products/Services Using the Fewest Resources Possible

Performance Measure: Personal Services Contracts (PSCs)

Measure Owner: Mike Burnside, Department for Administration; Division of Material and Procurement Services (DMPS).

Background

The Finance and Administration (F&A) Cabinet objective is to improve competition in the public procurement process, thereby minimizing the prices paid for all commodities and services. This metric tracks by fiscal year, the number of PSCs that were established through a competitive process. While the F&A Cabinet does not review all PSCs issued by state agencies each year, it gives prior approval for exemptions to the formal bidding process for most Executive Branch agencies.

All Procurement Desktop contracts were analyzed for inclusion in the metric, but only those contracts established as PSCs were included. Contracts excluded from the metric include Memoranda of Agreement, Memoranda of Understanding, the distribution of grant monies, non-professional services, and all commodities.

Purpose of Measure

This indicator will help to quantify the level of competition that exists in the public procurement process. The expectation is that higher levels of competition will result in both lower prices for Commonwealth agencies and enhanced opportunities for the vendor community.

Contracts are exempted from the formal bidding process for a variety of reasons. These reasons include: the continuation of a service begun on a previous contract, such as a legal contract to represent in a case that is already underway; contracts that are exempted by a specific statute such as those awarded to a state science and technology center, and contracts that are not practical to bid, such as a contract to train health care professionals on bio-terrorism countermeasures.

PSCs can be established as a price agreement with a private entity so that as a professional service need is identified, there is a contract in place with an agreed price to supply the need. These contracts are generally established as a 2-year contract in the first year of a biennium, thus the reason that Fiscal Year (FY) 2001 displays higher numbers than FY2002.

In December 2002, FAC implemented a process to limit the number of sole source contracts and require competition for all personal service contracts.

During the seven months this process was in place, there were only 29 of 202 personal service contracts issued without a formal bid—5 sole source, 20 contracts for continuation of services, 1 contract exempted from competitive bidding by a law or regulation, and 3 other contracts that were not practical to bid.

Factor(s) Affecting Variability

The services required to be contracted by state agencies fluctuate greatly depending on the staffing available in the agency and the need for the service. It is a very difficult decision for agencies to determine the appropriate mixture of professional services that should be provided by state employees versus those contracted from the private sector, as a determination must be made when the service level requirements support a full time state employee.

Additionally, on December 4, 2002 Governor Patton signed Executive Order (E.O.) 2002-1334 which included directives to reduce the number of personal service contracts. The metric data below includes a breakout of the number of PSCs by type before and after the E.O. was enacted.

Factor(s) Required for Improvement

Improvement will be through training on the importance of using a competitive bidding process to the maximum extent practical. F&A Cabinet personnel can conduct more stringent reviews of all requests for exemption to bidding and ensure that each approved request is fully justified in accordance with existing statutes and regulations.

Metric Data

Personal Services Contracts				
Contracts Issued	Fiscal Year			
	2001	2002	2003	
			Before E.O.	After E.O.
Competitive	1,353	1,217	608	173
Non-Competitive	601	501	451	29
Total	1,954	1,718	1,059	202



PRINTING COST

Goal 1 - To Continually Improve the Way We Work

Objective 1.1 - Deliver Our Products/Services Using the Fewest Resources Possible

Performance Measure: Printing Cost (by Copy Center)

Measure Owner: Donna Hall, Department for Administration, Division of Printing

Background

The Finance and Administration (F&A) Cabinet Division of Printing (DOP) is responsible for the printing and duplicating needs of state agencies. The division is a full service facility including ready access personal service, inventory selection, pre-press utilizing desktop publishing with high-resolution output printing, quick copy, bindery, finishing, and delivery. While the division operates as a complete financial unit, this metric represents only the copy center segment. DOP values the efficient utilization of equipment, personnel, space and materials in providing timely, cost-effective printing services to state government agencies.

"Gain" in the metric compares finished impression revenues and expenses for each center. These revenues are used for equipment maintenance and replacement.

Purpose of Measure

While DOP operates a break-even internal service fund, this measurement provides information on cost of production and revenues received by each copy center location, as well as revenue to be used for equipment replacement. This data allows DOP to better utilize equipment and personnel to effectively serve the printing needs of government agencies. A benchmark would be to provide our printing service slightly above cost of production to allow for equipment recovery.

Tracking direct expenses on a finished impression basis will assist DOP in identifying the amount to charge the agency. Changes in costs over time could indicate fluctuations in the volume of activity and/or in the efficient use of resources. Changes in revenue over time could also be due to like fluctuations. When variances exist between the revenue over expense of a copy center, analysis should be performed to determine the factors involved. The analysis may identify trends, which will assist in identifying where equipment, personnel, planning or process changes may need to occur to achieve an improved measurement.

Factor(s) Affecting Variability

The specifications of each job and volume of printing requests of state agencies result in variable cost factors. The higher the demand, the lower the cost will be per impression at the location. Also, the cost of the equipment and operational overhead are important factors.

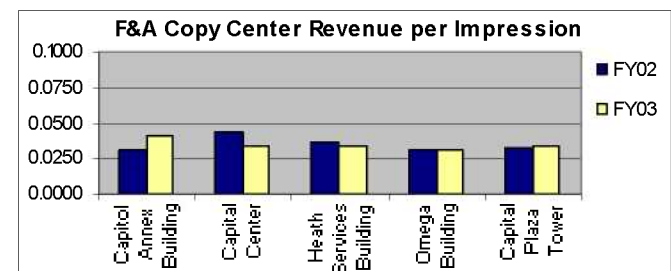
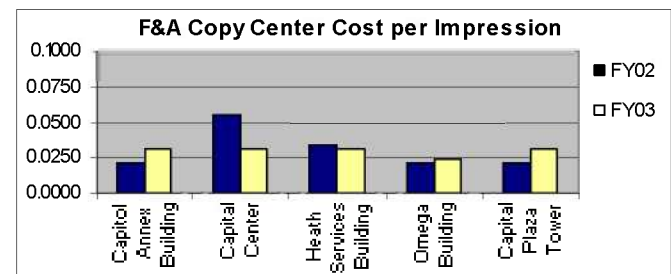
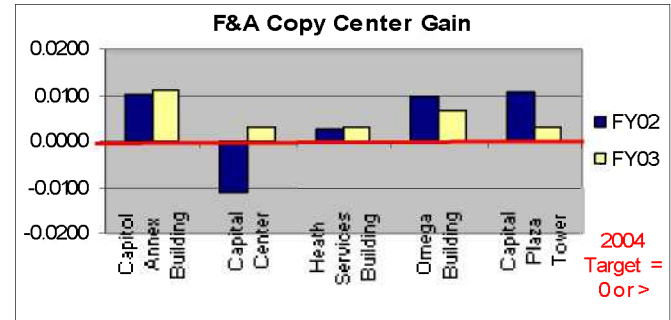
Expenditure changes occurred in the Capital Center copy center due to adjustment in equipment placement, redeployment of personnel, and elimination of outside janitorial services. Because of reducing expenses in FY2003 the reporting reflects a positive income even with the decrease in impressions. While all copy center locations reflected a gain in FY2003 over FY2002, they are only one segment of the division's services

Factor(s) Required for Improvement

Areas of improvement might include developing processes to better evaluate the equipment and agency printing demands at each location. Resources may need to be tailored to fit the demands and requirements of each location.

Metric Data

Copy Center	F&A Printing Cost for FY02					
	Per Finished Impression					
	Cost Per Impression		Revenue Per Impression		Average Gain	
	FY02	FY03	FY02	FY03	FY02	FY03
Capitol Annex Building	0.0204	0.0305	0.0309	0.0415	0.0104	0.0111
Capital Center	0.0546	0.0308	0.0437	0.0340	(0.0109)	0.0032
Heath Services Building	0.0343	0.0310	0.0368	0.0343	0.0025	0.0033
Omega Building	0.0211	0.0240	0.0307	0.0305	0.0096	0.0066
Capital Plaza Tower	0.0212	0.0311	0.0319	0.0343	0.0107	0.0032



MAIL CENTER COST

Goal 1 – To Continually Improve the Way We Work

Objective 1.1 - Deliver Our Products/Services Using the Fewest Resources Possible

Performance Measure: Mail Center Cost (Per Piece by Center)

Measure Owner: Jeff Thurmond, Department for Administration, Division of Postal Services

Background

The Finance and Administration (F&A) Cabinet, Division of Postal Services, values the efficient utilization of equipment, personnel, space and materials in providing timely cost effective processing and delivery of mail. The method of cost determination was derived by the total mail center costs divided by the total number of outgoing pieces. The volumes of incoming and messenger mail pieces were not included in the calculations. The State Office Building mail center totals were not included.

Purpose of Measure

This measurement provides information on cost of production by each mail center location. This data allows Postal Services to better utilize equipment and personnel to effectively serve the mail needs of government agencies. A benchmark would be to provide our services at or below the cost of annual budget projections. Trended patterns assist in identifying where equipment, personnel, planning or process changes may need to occur to achieve an improved measurement.

Factor(s) Affecting Variability

The different types of mail processed are first class letters, first class letters folded and inserted, flats and parcels that are individually handled and weighed, with postage then being applied to all. Each type piece constitutes one item with differing time frames to process. Volume of mail provided by state agencies to be processed daily results in variable cost factors. The greater the volume, the lower the cost per piece at each mail center. Also, the cost of the equipment and operational overhead are important factors. The Director's Office and associated costs are included in the Holmes Street and Capitol Annex mail centers.

Each mail center is unique in the functions performed. The Holmes Street and Capitol Annex mail centers process incoming mail, messenger mail, outgoing metered mail and letters on the Multi-Line Optical Character Reader (MLOC). The Fair Oaks mail center delivers incoming and messenger mail as well as folding and inserting first-class and standard letters. The Human Resources mail center performs all the functions of the other mail centers as well as processing UPS packages. Our folding and inserting volume has increased over the last two years by 15%. This substantial level of increase will drive up costs in those mail centers performing folding and inserting.

The annual outgoing volume ranges from 11.9 million pieces at Holmes Street / Capitol Annex mail centers, to 3.1 million pieces at Fair Oaks mail center, to 20.4 million pieces at the "The Way"
Fiscal Year 2003

Human Resources mail center. The last three years have been marked by larger than normal capital outlay expenditures. These expenditures were necessary in order to update older and worn equipment. In Fiscal Year FY2000 \$123,700 was spent, in FY2001 \$361,800, FY2002 \$173,100 and FY2003 \$194,400. Included in these purchases were four inserting machines, ten mailing machines and new bulk mailing equipment.

Factor(s) Required for Improvement

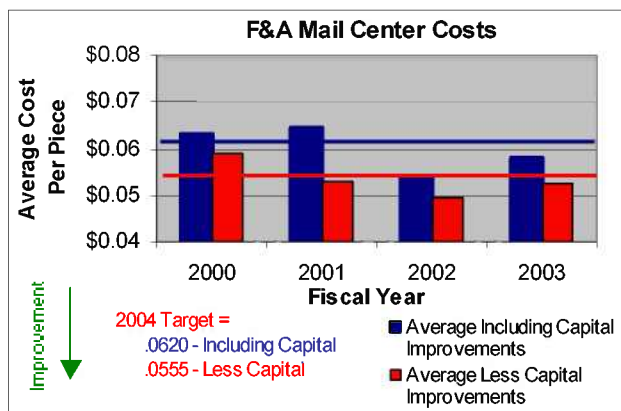
Areas of improvement might include increasing volume processed or reducing necessary manpower resources. Improvements could also be made by increasing volume of low processing cost pieces or decreasing volumes of high processing cost pieces.

With the implementation of the MLOC at Holmes Street, Postal Services will be re-handling 6 million pieces in-house annually. Although this will increase manpower requirements while not increasing measurable volume, this additional process will move an outsourced function to Postal Services, significantly reducing total Commonwealth cost.

Recent acquisition of new bulk mail processing equipment will allow Postal Services to increase the overall volume of pieces processed. This will be accomplished using the same manpower resources presently available therefore reducing the cost per piece. Any analysis for judging improvement must take into consideration all incoming and messenger mail volumes and their impact upon each mail center.

Metric Data

F&A Mail Center Costs (by Fiscal Year)				
Mail Center Location	Average Cost Per Piece (Less Capital Improvements)			
	2000	2001	2002	2003
Capitol Annex Bldg & Holmes Street	0.0550	0.0590	0.0586	0.0639
Fair Oaks Bldg	0.0516	0.0418	0.0470	0.0485
Human Resource Bldg	0.0631	0.0521	0.0441	0.0464
Average Cost Per Piece				
Average Less Capital Improvements	0.0590	0.0531	0.0493	0.0525
Average Including Capital Improvements	0.0631	0.0645	0.0543	0.0580



Finance and Administration
Cabinet

LEGISLATIVE CLAIMS

Goal 1 – To Continually Improve the Way We Work

Objective 1.2 – Ensure Financial, Property Management, and Administrative Consistency Across State Government Agencies Statewide

Performance Measure: Number and Subject Matter of Legislative Claims

Measure Owner: Marisa Neal, Division of Administrative Policy and Audit

Background

One of the Finance and Administration Cabinet's duties is to provide policy leadership to assist state agencies in being effective stewards of the Commonwealth's financial resources. Once during each budget biennium, in accordance with KRS 45.229 and KRS 45.231, legislative claims are processed to pay vendors and other parties that were not compensated at the time a product or service was provided to the Commonwealth.

This metric tracks legislative claims filed with the Commonwealth's Legislature according to reason for the claim and amount of the payment requested. The reasons will change as new claims are filed, and will be determined by the actual claims. All legislative claims were analyzed for inclusion in this metric. Payments for checks that were not cashed within five years were not included in the measurement.

Purpose of Measure

This metric will help to measure the effectiveness of policy development within the cabinet and quantify state agencies' ability to accept, understand and apply policies. By tracking instances when policies and procedures that direct procurement and payment of expenditures are not followed to an extent that payments are not or should not be made, the division will be able to focus its limited resources on areas with urgent needs for improvement. Patterns identified will assist the cabinet in identifying areas for additional training, policy revision and process improvement.

Thirteen categories for legislative claims during 2000 and 2002 were identified.

1. State agency failed to pay invoice in a timely manner
2. Problem with the vendor's invoice
3. Printing procurement
4. Legal services procurement
5. Agency spent more than contract amount
6. Wrong cited authority used
7. Service provided after contract expired
8. Memorandum of Agreement (MOA)
9. Insufficient funds for payment
10. Work conducted by contractor was beyond the scope of the contract
11. Insurance did not pay claim
12. Contractor began work before the contract was executed
13. State agency made a split purchase

12. Contractor began work before the contract was executed
13. State agency made a split purchase

Factor(s) Affecting Variability

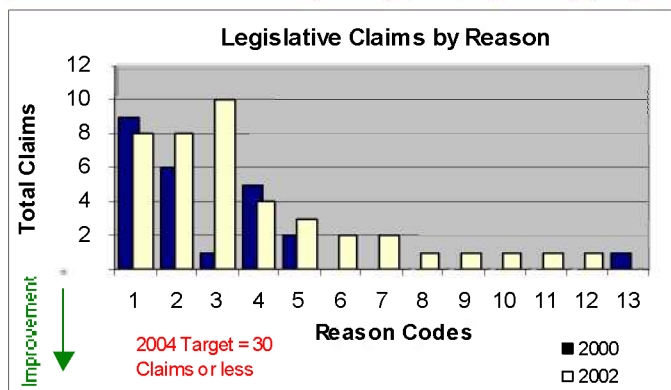
Legislative claims filed may be the result of an audit or other review. Not all instances when policies are incorrectly interpreted or not adhered to will result in the payment being made through a legislative claim. Other causes of variability include updates to the Management Administrative Reporting System (MARS), employee turnover, untrained staff, and management's commitment to following established policies and procedures.

Factor(s) Required for Improvement

Improvement will be gained through the promulgation of policies that meet the control requirements of the cabinet and are feasible for agencies. In addition, improvements may be linked to training on various procurement and accounting practices held by the Finance and Administration Cabinet and other state agencies. FAC staff should stress the importance and remind state employees of existing policies and procedures, while all state agencies must incorporate these into their practices.

Metric Data

Legislative Claims	2000		2002	
	Count	Amount	Count	Amount
1 Failed to pay invoice	9	\$ 60,764	8	\$ 33,667
2 Vendor's invoice problem	6	\$ 61,567	8	\$ 149,720
3 Printing	1	\$ 277,590	10	\$ 21,937
4 Legal services	5	\$ 84,117	4	\$ 8,496
5 Spent more than contracted	2	\$ 11,294	3	\$ 1,284
6 Wrong cited authority	-	\$ 3,345	2	\$ 1,278
7 Payment for service after contract expiration	-	\$ -	2	\$ 10,347
8 Memorandum of Agreement (MOA)	-	\$ -	1	\$ 6,000
9 Insufficient funds	-	\$ -	1	\$ 1,740
10 Work beyond scope of contract	-	\$ -	1	\$ 89,555
11 Insurance did not pay claim	-	\$ -	1	\$ 5,600
12 Work before contract signed	-	\$ -	1	\$ 2,128
13 Split Purchase	1	\$ 1,635	-	\$ -
TOTAL	24	\$ 500,313	42	\$ 331,752



PROTESTS

Goal 1 - To Continually Improve the Way We Work

Objective 1.2 - Build Partnerships for Continuous Process Improvement

Performance Measure: Protests (Solicitation/Awards) Received and Upheld

Measure Owner: Angela Robinson, Legal and Legislative Services; Mike Burnside, Division of Material and Procurement Services (DMPS); Ellen Nolan, Facilities Management, Contract and Administration (C&A)

Background

This measurement tracks, by fiscal year quarter, the number of protests received on solicitations issued and contracts awarded by DMPS and C&A, and, of those protests received, the number that were upheld. Solicitations and awarded contracts reflected in this metric include commodities, services, and capital construction-related services. The Kentucky Revised Statute (KRS) 45A.285 requires that any protest of a solicitation or contract award must be filed within two (2) calendar weeks from the date the vendor knew or should have known the facts giving rise to the protest (typically two (2) weeks from date of solicitation issuance or contract award). The "Protests Appealed" data in this metric reflects the number of suits filed in the court system against the protest determination. A "Pending" status indicates a decision has not been made regarding the suit.

Purpose of Measure

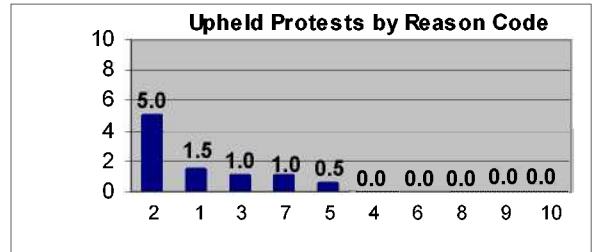
This metric will quantify the effectiveness of the process of bidding and awarding contracts employed by the F&A Cabinet. Trended patterns will assist in identifying areas where improvement may need to occur to strengthen partnerships with suppliers.

The Cabinet developed a method for tracking protests by "Reason Code" to assist in identifying areas where process improvement might need to occur. Currently there are ten potential reason codes identified which include:

1. Specifications unclear or too restrictive.
2. Failure of Commonwealth to correctly determine responsiveness.
3. Error in calculating best value scores.
4. Failure to receive notice of a solicitation.
5. Objection to best value criteria.
6. Objection to cancellation of a solicitation or re-bid.
7. Incorrect or unfair scoring.
8. Other unfair action by the Commonwealth.
9. Unfair action by competitor.
10. No reason stated.

The following chart reflects the total upheld protests by reason code from Fiscal Year (FY) 2001 4th quarter to FY2003 4th quarter.

"The Way"
Fiscal Year 2003



Factor(s) Affecting Variability

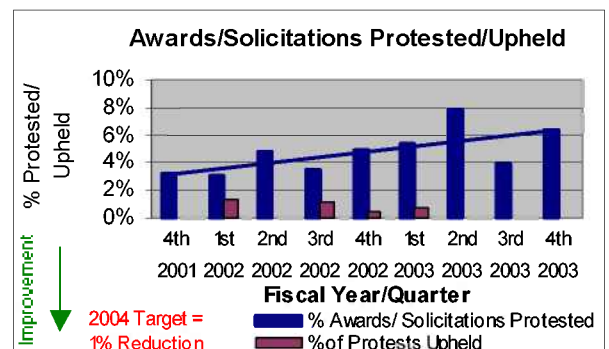
The development of accurate best value criteria and specifications with appropriate terms & conditions for procurement may cause this measure to fluctuate. The use of alternative delivery methods of capital construction projects (e.g. Design/Build) may lead to an increase in bid protests due to the use of more subjective best value criteria in the evaluation process. Other factors in variability might include: the receipt date of protests may not fall within the same quarter that the solicitation was issued; multiple protests may be submitted against a single solicitation and multiple awards may be issued for a single solicitation.

Factor(s) Required for Improvement

Improvement will be affected through training on the issuance of fair, objective, and defensible Solicitations, Specifications, Bid Evaluations, and Awards. In addition, through a better understanding of the vendor community, the numbers of protests and protests upheld can be reduced.

Metric Data

Finance and Administration Cabinet Protests									
Fiscal Year	QTR	Total Solicitations Issued	# of Protests Received	% Awards/ Solicitations Protested	# of Protests Upheld	% of Protests Upheld	# of Protests Undecided	# of Protest Responses Appealed	Status of Appeals
2001	4th	287	9	3%	0	0%	0	1	Pending
2002	1st	162	5	3%	2	1%	0	1	Pending
2002	2nd	207	10	5%	0	0%	0	0	-
2002	3rd	174	6	3%	2	1%	0	0	-
2002	4th	202	10	5%	1	0%	0	0	-
2003	1st	131	7	5%	1	1%	0	0	-
2003	2nd	102	8	8%	0	0%	0	1	Pending
2003	3rd	52	2	4%	0	0%	0	0	-
2003	4th	171	11	6%	0	0%	4	0	-



Finance and Administration
Cabinet

PROCUREMENT CARD REBATE

Goal 1 - To Continually Improve the Way We Work

Objective 1.2 - Build Partnerships for Continuous Process Improvement

Performance Measure: Procurement Card Rebate Dollars

Measure Owner: Stuart Weatherford, Office of the Controller

Background

The Finance and Administration (F&A) Cabinet contract for Procurement Cards (Procard) has expanded to over 6,000 users and \$50M per year in expenditures. This procurement tool has simplified low-dollar, high-frequency transactions for agency personnel. As a result of the dollar volume growth, a rebate is returned, beginning in mid 1999, under the contract to the Commonwealth of Kentucky.

The rebate that the Commonwealth receives is calculated based on factors. The factor that influences the KY rebate is the total annual volume (\$25M to \$50M returns a rebate of .40%, while >\$50M returns a rebate of .50%). There are other factors for average transaction size and payment schedule for which the Commonwealth does not qualify.

Purpose of Measure

The purpose of this measure is to track Procard activity in terms of returning rebate dollars to the Commonwealth. This is a component of Procard effectiveness measured in hard dollars.

While dollars returned to the state is positive, growth in this number due to higher dollar transactions is not necessarily good from a control risk perspective. Achieving a balance that is capturing the most effective transactions under Procard achieves the greatest result.

A decrease in rebate dollars would require further analysis to determine all factors influencing the decrease. If the decrease is due to high dollar transactions being received at a lower cost, the decrease could actually be good for the Commonwealth.

Factor(s) Affecting Variability

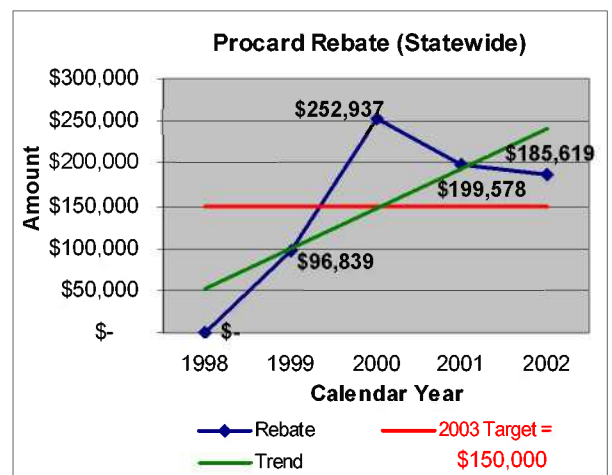
Card limits and the use of cards for higher dollar purchases raises the average transaction amount. The average ticket and gross dollar activity have graduated rates, thus falling under a threshold will affect the payout. Acceptance of the procard by new vendors or non-traditional credit card vendors has an effect on the movement of these numbers.

Factor(s) Required for Improvement

The placement of cards in the proper personnel's possession to be used for low dollar transactions will increase Procard rebates. This practice will not impact the ability to enter into partnerships with Commonwealth suppliers on high dollar purchases. Greater savings can be realized through the purchase price for these high dollar items, than the rebate the Procard will provide. Thus the total procurement picture must be analyzed to determine the optimal use of the Procard

Metric Data

Statewide		
Procard Rebate		
Calendar Year	Total Purchases	Rebate
1998	\$ 23,244,791	\$ -
1999	\$ 46,839,669	\$ 96,839
2000	\$ 50,810,127	\$ 252,937
2001	\$ 49,894,588	\$ 199,578
2002	\$ 46,138,531	\$ 185,619



LATE PAYMENT CHARGES

Goal 1 - To Continually Improve the Way We Work

Objective 1.3 - Ensure Financial, Property Management and Administrative Consistency Across State Government Agencies

Performance Measure: Late Payment Charges (Non- Procurement Card)

Measure Owner: Stuart Weatherford, Office of the Controller

Background

In accordance with Kentucky Revised Statue (KRS) 45.454 and Finance and Administration Policy (FAP) 120-05-00 agencies are required to pay interest to vendors when bills are paid beyond 30 days from the receipt of goods/services or invoice whichever is later. It is the agency's responsibility to track, calculate, and pay vendors for late payments.

Expenditures are to be recorded to E370 for Personal Services, E613 for Capital Outlay, E770 for Capital Construction, and E356 for delays caused by Treasury or Finance.

Purpose of Measure

The purpose of this measure is to track the trend of agency recorded late payments against total checks and EFT payments made during the fiscal year. This measure will assist in monitoring late payment dollars and serve to identify those areas where improvement activity may need to be applied. Additional research will need to occur to determine the cause of trended late payments and/or increases in late payment dollars.

Progress is measured by the reduction in these charges. An increase in late charges may indicate a breakdown in receiving or payment processes and assist in identifying opportunities for process improvement.

Factor(s) Affecting Variability

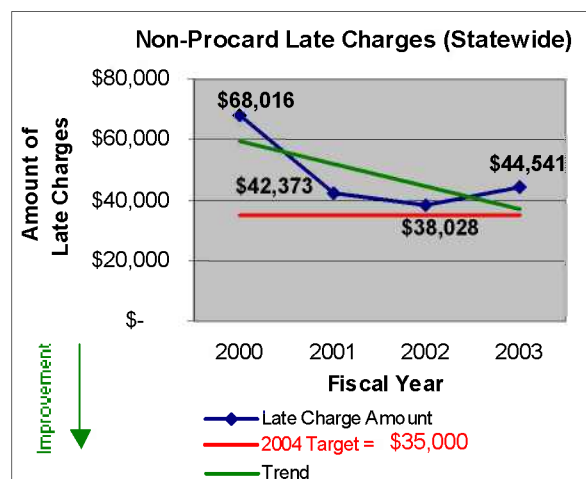
Incorrect recording of object codes on payments will skew data very quickly in this measure. Employee turnover often causes a lapse in service that creates a catch up period where bills are paid late. Top management commitment to timeliness in this area is a key factor to success in minimizing finance charges.

Factor(s) Required for Improvement

Training and stability with accountants has a major impact on these numbers. The proper top management support in policing invoice documentation and timeliness is key to avoiding late charges.

Metric Data

Statewide		
Non-Proc Card Late Charges		
Fiscal Year	Late Charge Amount	Total Check & EFT Payments
2000	\$ 68,016	\$ 11,923,210,379
2001	\$ 42,373	\$ 13,009,404,995
2002	\$ 38,028	\$ 14,035,847,813
2003	\$ 44,541	\$ 14,627,115,679



PROCUREMENT CARD LATE CHARGES

Goal 1 - To Continually Improve the Way We Work

Metric Data

Objective 1.3 – Ensure Financial, Property Management and Administrative Consistency Across State Government Agencies

Performance Measure: Procurement Card Late Charges

Measure Owner: Stuart Weatherford, Office of the Controller

Background

The Commonwealth of Kentucky has a robust Procurement Card (Procard) program that was designed to take the administrative burden out of small dollar frequent purchases. This program has reached the \$50M annual level and growth has stabilized. While this method of payment has improved the speed and ease of small purchases, emphasis must be given to prompt payment, internal control and proper recording of transactions.

Purpose of Measure

The purpose of this measure is to track the prompt payment by Procard Administrators and identify sites that need more supervision and training to carry out their responsibilities.

A decrease in Procard late charges would indicate agencies' commitment to timely payments. An increase in Procard late charges may indicate a breakdown in payment processes and identify opportunities for process improvement.

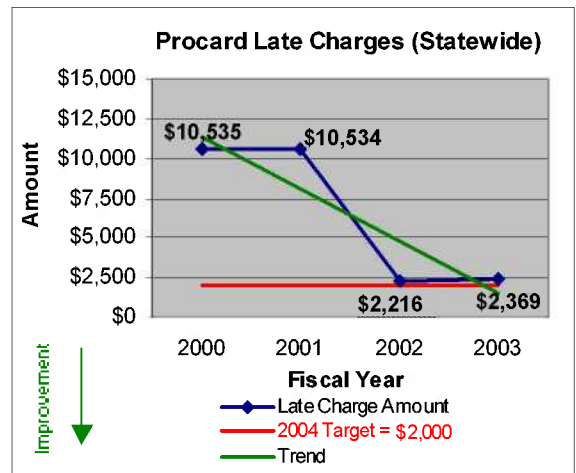
Factor(s) Affecting Variability

Employee turnover, system problems occurring those days just prior to payment, issues with the card administrator, and cooperation of cardholders in providing invoices prior to payment, may all affect these numbers. Top management commitment to timeliness in this area is a key factor to success in minimizing finance charges.

Factor(s) Required for Improvement

Training and stability with Procard Administrators has a major impact on these numbers. The proper top management support in policing invoice documentation and timeliness is key to avoiding late charges and running a good Procard program. Good central administration and follow up is essential to keep the administrators engaged and the program fresh.

Statewide	
Procurement Card Late Charges	
Fiscal Year	Late Charge Amount
2000	\$ 10,535
2001	\$ 10,534
2002	\$ 2,216
2003	\$ 2,369



REPORTABLE AUDIT EXCEPTIONS

Goal 1 - To Continually Improve the Way We Work

Objective 1.3 – Ensure Financial, Property Management and Administrative Consistency Across State Government Agencies

Performance Measure: Reportable Audit Exceptions

Measure Owner: Stuart Weatherford, Office of the Controller

Background

The Auditor of Public Accounts performs the Statewide Single Audit that covers all programs receiving federal dollars in addition to providing an opinion on the state's financial statements. Material weaknesses noted in this report are by definition serious and need immediate attention as they can affect the rendering of a favorable opinion. Reportable conditions, by definition, provide agencies with deficiencies that may need added attention in the upcoming year.

Purpose of Measure

The metric tracks the material and reported conditions as they both indicate successful operations and identify areas for improvement.

It is equally important to track the number of corrections made to the material weaknesses and reportable conditions identified in the audit. While not all exceptions reported may result in a needed correction such tracking is beneficial.

While it is unlikely that an audit will ever result in no weaknesses, the primary goal is to keep them to low severity issues and room for improvement statements.

Factor(s) Affecting Variability

Variability in these measures needs to be considered with research.

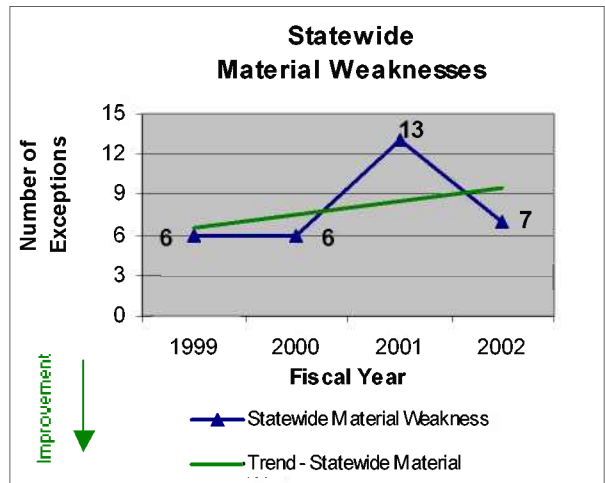
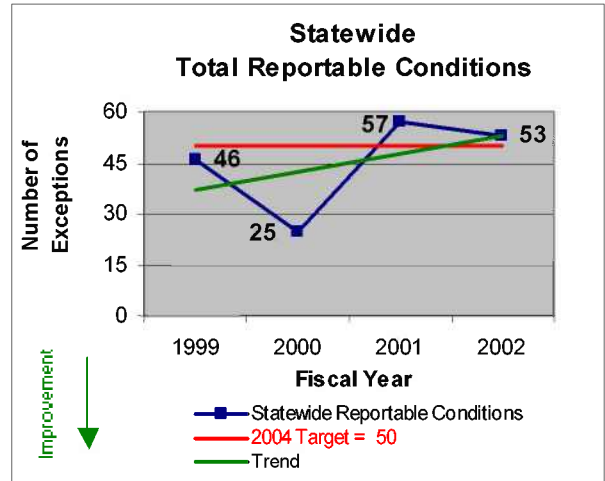
- Implementation of new systems or changed processes.
- Change in attitude or focus with the auditor.
- Increased comfort level with the system and processes.
- Employee turnover, both centrally and in agencies, plays a big role in the stability of processes and procedures.

Factor(s) Required for Improvement

Documentation of issues, causes and solutions is important in systematically dealing with process weaknesses. F&A should continually strive to document procedures so employee turnover has less impact and the audit process is yielding fewer problems.

Metric Data

Reportable Audit Exceptions							
Fiscal Year	Statewide		F&A		F&A Status		
	Total Reportable Conditions	Material Weaknesses	Total Reportable Conditions	Material Weakness	F&A Corrected	No Longer Valid	Partial or Not Satisfied
1999	46	6	18	0	16	1	1
2000	25	6	4	1	2	1	1
2001	57	13	7	0	3	-	4
2002	53	7	9	0	-	-	-



*The Way
We Make Government Go!*

*To Deliver Quality Service
by Focusing on Our
Customers*

CAPITAL PROJECTS ON BUDGET

Goal 2 - To Deliver Quality Service by Focusing on Our Customers

Objective 2.1 - Complete a Higher Percentage of Projects Within Budget

Performance Measure: Line-Item Capital Projects On Budget

Measure Owners: Ellen Nolan, Department for Facilities Management, Divisions of Engineering and Contracting & Administration

Background

The majority of the Commonwealth's line-item capital construction program is managed by the Finance and Administration Cabinet, Department for Facilities Management. It is Facilities Management's duty to deliver needed projects to both customer agencies and the citizens of the Commonwealth within the funding authorized by the General Assembly. The majority of that funding is dedicated to design and construction activities associated with each project but also may include funding for furnishings, equipment, property acquisition, and other related costs. The Department strives to deliver these projects to customer agencies within the legislatively authorized funding.

Purpose of Measure

This measurement tracks, by fiscal year, the total number of line-item projects completed and the number of those projects completed on budget. A project delivered on budget is defined as being within 10%, over or under, of the legislative authorization. The target for this metric is 90% completed On-Budget. Funding that may be added subsequent to the initial budgeted amount is not considered in this measure.

Factor(s) Affecting Variability

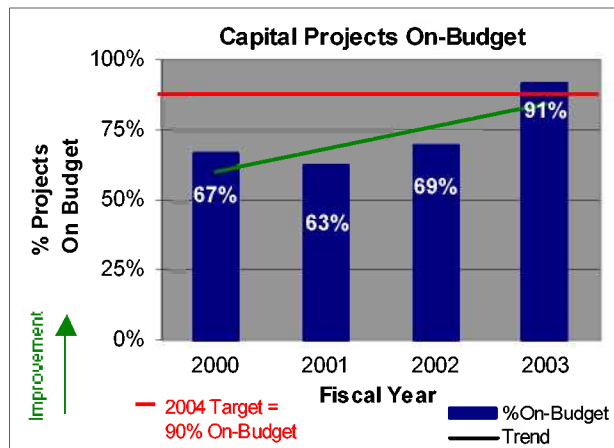
Changes in the original programmatic scope or intent of the project and unforeseen factors discovered while the project is underway may ultimately affect the final actual cost of a project. The overall economy and bidding climate/competition may also affect the true cost of a project.

Factor(s) Required for Improvement

Increased participation by the Division of Engineering in the project programming and budgeting phases could provide a more accurate projection of true project costs and reduce additional funding requests.

Metric Data

Capital Projects On Budget			
Fiscal Year	Projects Closed	On Budget	% On-Budget
2000	6	4	67%
2001	32	20	63%
2002	29	20	69%
2003	45	41	91%



CAPITAL PROJECTS ON SCHEDULE

Goal 2 - To Deliver Quality Service by Focusing on Our Customers

Objective 2.2 - Complete a Higher Percentage of Services/Products on Time

Performance Measure: Line-Item Capital Projects On Schedule

Measure Owner: Ellen Nolan, Department for Facilities Management; Divisions of Engineering and Contracting and Administration

Background

The majority of the Commonwealth's line-item capital construction program is managed by the Finance and Administration Cabinet, Department for Facilities Management. It is Facilities Management's duty to deliver needed projects to both customer agencies and the citizens of the Commonwealth within a legitimate timeframe. The Schematic Design Phase (Phase A) of a project provides a realistic estimate as to when an agency may obtain "Beneficial Occupancy". "Beneficial Occupancy" means that a project is considered to be substantially completed or the intent of the project has been substantially realized.

This measurement tracks, by fiscal year, the number of line-item projects completed and the percentage of those projects completed on schedule as it relates to "Beneficial Occupancy". A project delivered on schedule is defined as being within 10% before or after, of the projected completion date (in days). The target for this metric is 90% completed On-Schedule.

Purpose of Measure

Tracking the number of projects completed on schedule will aid in measuring the effectiveness of planning efforts and identify areas where improvement may be required.

Factor(s) Affecting Variability

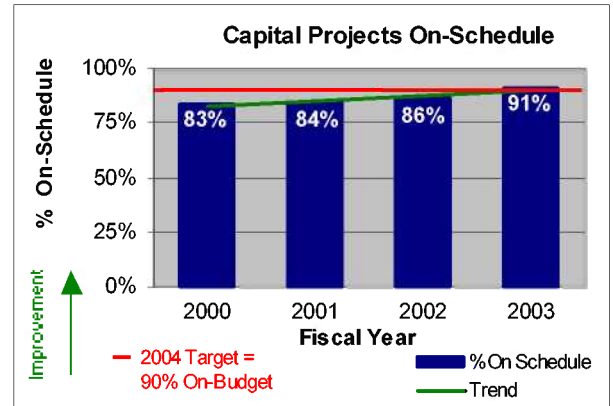
Weather delays and other unforeseen conditions caused projects to be delayed.

Factor(s) Required for Improvement

Limiting change orders would improve the ability for projects to come in On Schedule.

Metric Data

Capital Projects On Schedule			
Fiscal Year	Projects Closed	Total On-Schedule	% On Schedule
2000	6	5	83%
2001	32	27	84%
2002	29	25	86%
2003	45	41	91%



ANSWERED HELP DESK CALLS

Goal 2 - To Deliver Quality Service by Focusing on Customers

Objective 2.2 - Complete a Higher Percentage of Services/Products on Time

Performance Measure: Answered Help Desk Calls

Measure Owner: Connie Camden, Customer Resource Center (CRC)

Background

Responding to customers in a timely manner is of high importance to the Finance and Administration (F&A) Cabinet. CRC customers consist of state employees, vendors, benefit recipients and certain refund recipients for the Commonwealth. Tracking percentage of calls answered versus calls received aids in measuring how effective CRC is in meeting customer's needs.

Purpose of Measure

This measurement tracks the number of incoming calls recorded by the CRC automated phone system. Unanswered calls may represent non-responsiveness to the customers' questions and/or needs. Calls that were unanswered are displayed in the data table as:

- **"Nightly"** - calls received beyond operating hours;
- **"Abandoned"** - calls entering the phone system queue that are not picked up by an agent; which includes hang-up calls.

Trended patterns could assist in identifying times when additional staffing may be needed to meet the customer call demands.

Factor(s) Affecting Variability

- Changes in business practices played a key role in the variability of this metric. Causes for these changes included new operating procedures/policies, software upgrades, and limited resources. Additionally, in August 2002 eleven phone lines were dropped which resulted in restructuring how the phone lines ring into the center.
- Reallocation of CRC staffing resources that otherwise would be available to answer incoming calls was essential to meet the demands of software testing and the development/updates of training materials. These efforts enabled CRC to continue providing adequate software training to our customers. Two major software releases occurred during this timeframe, one in August 2001 and one in May 2002.
- Several staff were also involved in process improvement projects that required time away from the office reducing their availability to answer incoming calls.

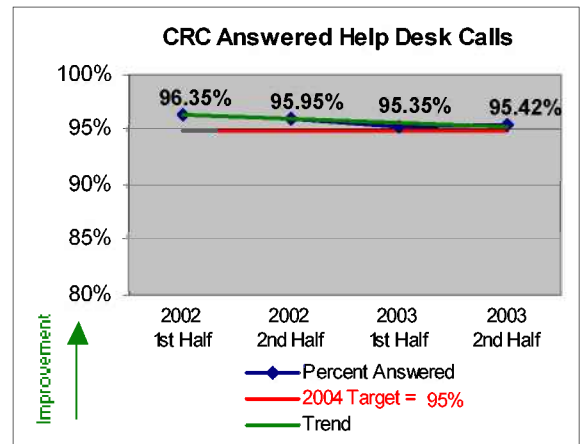
- Changes in staffing due to the need for family medical leave or loss of employment will affect the variability of this metric.
- A decrease in call volume also occurred during the December holidays.
- An aging phone system appears to be recording more calls as abandoned, when staff is logged in and available.

Factor(s) Required for Improvement

The ability to devote more staff time to answering the calls would assist in improving the performance metric and the timeliness of our customer service.

Metric Data

CRC Help Desk Calls						
Fiscal Year	QTR	Incoming	Answered	Percent Answered	Nightly	Abandoned
2002	1st	7,306	7,068	96.74%	69	169
	2nd	4,983	4,773	95.79%	62	148
	3rd	5,178	4,936	95.33%	66	176
	4th	8,638	8,320	96.32%	106	212
FY2002 Total		26,105	25,097	96.14%	303	705
2003	1st	6,105	5,838	95.63%	111	156
	2nd	7,178	6,828	95.12%	98	252
	3rd	6,979	6,608	94.68%	157	214
	4th	7,479	7,188	96.11%	84	207
FY2003 Total		27,741	26,462	95.39%	450	829



AGE OF HELP DESK CASES

Goal 2 - To Deliver Quality Service by Focusing on Our Customers

Objective 2.2 - Complete a Higher Percentage of Services/Products on Time

Performance Measure: Average Age of Help Desk Cases

Measure Owner: Connie Camden, Customer Resource Center

Background

Responding to customers in a timely manner is of high importance to the Finance and Administration (F&A) Cabinet. CRC customers consist of state employees, vendors, benefit recipients and certain refund recipients for the Commonwealth.

CRC utilizes Help Desk Software to assist in tracking those cases that cannot be easily resolved. Tracking the **"Average Days Open"** for Help Desk cases provides a measurement of responsiveness to the customer. The age of a case is derived by subtracting the date a case is closed from the date the case is logged.

Purpose of Measure

CRC serves as a resource center to our customers. Tracking trended patterns in customer responsiveness could assist in identifying where improvements are needed to ensure the customer's needs are being met. When an increase in the average age is reflected additional analysis would need to occur to identify the factors impacting the responsiveness to our customers.

Factor(s) Affecting Variability

- Due to a reduction in the staffing of CRC, changes were made on the types of help desk calls that were logged into the case tracking software. Because of that reduction, cases that could be resolved by quick research and a return phone call to the user are no longer logged as a case.
- Two major Procurement Desktop software releases occurred in August 2001 and May 2002, which provided solutions for many help desk cases that were opened back as far as July 1999. Cases awaiting software solutions are left in a status of "Pending Software" for tracking purposes. The total days opened for these pending cases greatly increased the average age of the cases closed during Fiscal Year 2002.
- Two minor software releases occurred during October 2002 and March 2003.

In FY2004 staff plans to review old cases, which are pending software changes to determine whether the change will ever be made. It is anticipated that many of these old cases will be closed, resulting in a one-time negative input to this metric.

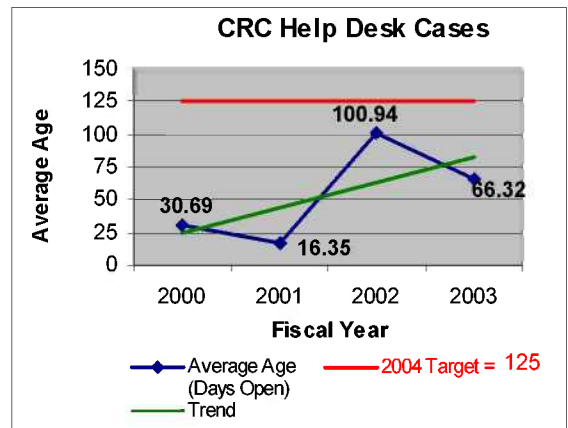
Factor(s) Required for Improvement

A change back to opening more simple cases would increase the overall age of the cases opened. However, a practice such as this would also drive up cost, as additional staff would have to be hired.

The ability to implement more frequent PD software releases would also reduce the age of Help Desk Cases. This practice would also require additional central and agency resources to test, package, and install and troubleshoot the resultant problems with the additional releases.

Metric Data

CRC Help Desk Cases		
Fiscal Year	Total Closed Cases	Average Age (Days Open)
2000	4685	30.69
2001	2554	16.35
2002	762	100.94
2003	267	66.32



OPEN HELP DESK CASES

Goal 2 - To Deliver Quality Service by Focusing on Our Customers

Objective 2.2 - Complete a Higher Percentage of Services/Products on Time

Performance Measure: Open Help Desk Cases

Measure Owner: Connie Camden, Customer Resource Center

Background

Responding to our Customers in a timely manner is of high importance to the Finance and Administration (F&A) Cabinet. Our customers consist of state employees, vendors, benefit recipients and certain refund recipients for the Commonwealth.

The Customer Resource Center (CRC) utilizes a Help Desk Software to assist in tracking those cases that cannot be easily resolved. Tracking the number of **“Open Help Desk Cases”** enables us to measure our responsiveness to the customer.

Purpose of Measure

Trended patterns could assist in identifying where process improvement may need to occur to improve turnaround time related to responsiveness to our customers.

Factor(s) Affecting Variability

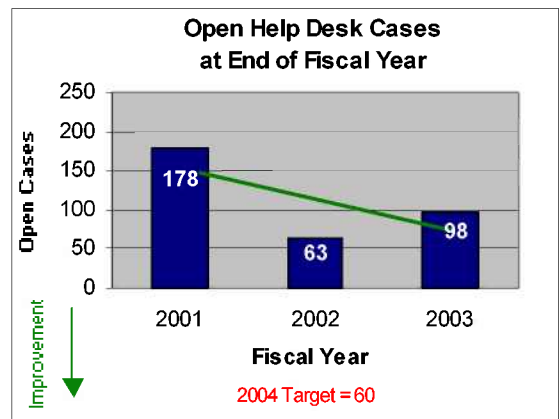
- A decrease in staffing forced changes in business practices. Changes included going from logging all cases with a priority of high or above to logging urgent priority only.
- Two major software releases occurred during the timeframe of this report, one in August 2001 and another in May 2002.
- Two minor software releases occurred during October 2002 and March 2003.
- In FY2004 staff plans to review old cases, which are pending software changes to determine whether the change will ever be made. It is anticipated that many of these old cases will be closed, resulting in a one-time positive input to this metric.

Factors Required for Improvement

The ability to implement more frequent Procurement Desktop software releases would reduce the number of Help Desk cases. Many of the open cases are open in a status of **“Pending Software Changes”**.

Metric Data

CRC Helpdesk Cases					
Fiscal Year	Quarter	Open at Start of Quarter	Opened During Quarter	Total Open	Closed During Quarter
2001	1st	202	779	981	777
	2nd	204	977	1181	1010
	3rd	171	427	598	415
	4th	183	349	532	354
2002	1st	178	288	466	335
	2nd	131	147	278	172
	3rd	106	96	202	105
	4th	97	116	213	150
2003	1st	63	86	149	79
	2nd	70	61	131	59
	3rd	72	64	136	62
	4th	74	76	150	52



ON-TIME PRINT JOBS

Goal 2 - To Deliver Quality Service by Focusing on Our Customers

Objective 2.2 - Complete a Higher Percent of Services/Products on Time

Performance Measure: On-Time Print Jobs

Measure Owner: Donna Hall, Department for Administration, Division of Printing

Background

The Finance and Administration (F&A) Cabinet, Division of Printing considers timely service to state agencies to be a fundamental part of its mission. The ability to deliver printed products on time affects the dissemination of information by agencies.

Purpose of Measure

This measurement provides information on the success of the Division of Printing in meeting the needs of state agencies and may also indicate the need for additional agency orientation to the printing process, policies, procedures and planning.

This printing service measurement tracks print jobs that were completed by the customer requested due date. The benchmark would be to print all jobs on or before the date indicated on job ticket. The “% On Time” represents the cumulative sum of “Early” and “On Time”.

Trended patterns could assist in identifying where equipment, personnel, planning or process changes may need to occur to achieve an improved measurement.

Factor(s) Affecting Variability

During Fiscal Year 2002-2003, 10,347 jobs were processed. Of those jobs, 5,462 were allowed three days or less for printing and delivery, with 2,211 requested with same day turnaround. Of the jobs delivered during this fiscal year 189 jobs were delivered one day late.

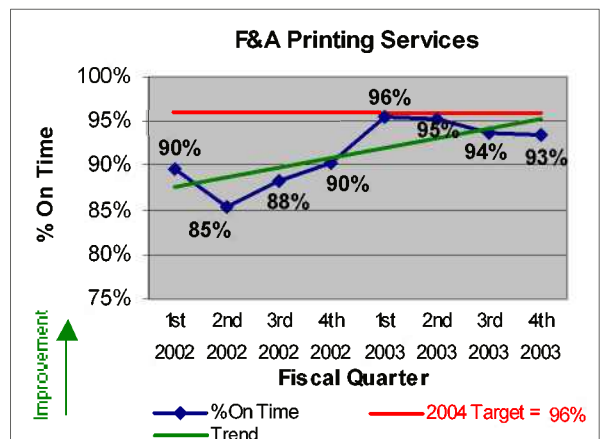
The specifications of the job such as number of originals, number of copies, number and color of inks, stock selections, copy prep requirements, binding and finishing and turn-around time requested determine factors that affect this variance.

Factor(s) Required for Improvement

- Developing in-house procedure for improved delivery of jobs by just one day.
- Factoring requests of special stocks or inks that could not be received in time to meet the customer date, equipment down time and employee absenteeism.
- Educating agency liaisons on the processes required in printing for proper timing of printing and delivery of jobs.

Metric Data

Printing Services						
Fiscal Year	Quarter	Early	On Time	Late	Total	% On Time
2002	1st	1573	1035	303	2911	90%
2002	2nd	1316	667	338	2321	85%
2002	3rd	1534	760	302	2596	88%
2002	4th	1492	819	247	2558	90%
2003	1st	1902	1142	143	3187	96%
2003	2nd	1502	737	111	2350	95%
2003	3rd	1347	828	147	2322	94%
2003	4th	1489	834	165	2488	93%



MBE/DBE PARTICIPATION

Goal 2 - To Deliver Quality Service by Focusing on Our Customers

Objective 2.3 - Increase Minority and Disadvantaged Business Participation in Services and Products

Performance Measure: Minority Business Enterprises (MBE) and Disadvantaged Business Enterprises (DBE) Participation

Measure Owner: Ellen Nolan, Department for Facilities Management, Division of Contracting and Administration

Background

The Finance & Administration Cabinet strives to increase the participation of Minority and Disadvantaged Business Enterprises (MBE/DBE) in the delivery of capital construction projects. This metric measures the participation of MBE/DBE firms in the award of capital construction contracts.

The MBE/DBE information is extracted from the bid documents for each project. The data reflects participation of "prime" or "general" contractors unless minority participation was a separate component of determining contract award. In most bid evaluations, price (low bid) is the only evaluative criterion and no points are awarded for minority participation. Some newer methods of project delivery include MBE/DBE participation as component of contract award and will include participation of MBE/DBE sub-contractors and suppliers.

Purpose of Measure

This measure will assist the Division of Contracting & Administration in judging its effectiveness in obtaining greater MBE/DBE participation in the capital construction program. The overall intent is to create a "level playing field" for all firms who wish to participate. Kentucky has a 7% minority population, with the greatest number of minorities in the large metropolitan areas. DFM does not manage projects for the metropolitan areas; therefore the target for this measure will be 5% for both Number of Contracts and Total Dollars.

Factor(s) Affecting Variability

MBE/DBE participation can be difficult to obtain due to the lack of a readily available supply of firms in the project area or the prohibitive distances to projects from the supply of firms. In Fiscal Year 2003, there was a reduced scale of contracts, and the type and location of projects may have affected the downturn. Also, the economy of the state undoubtedly had an effect on this measure.

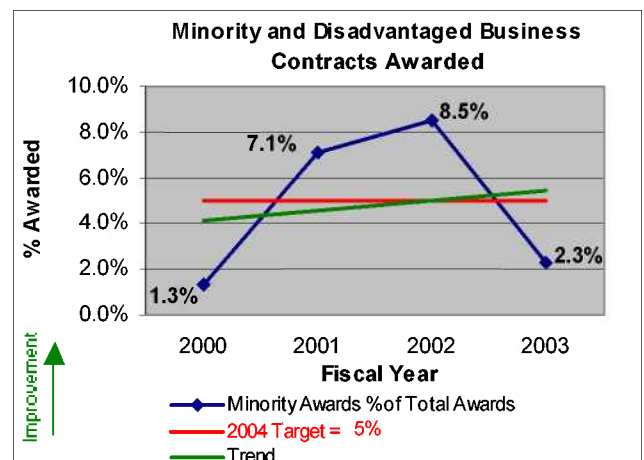
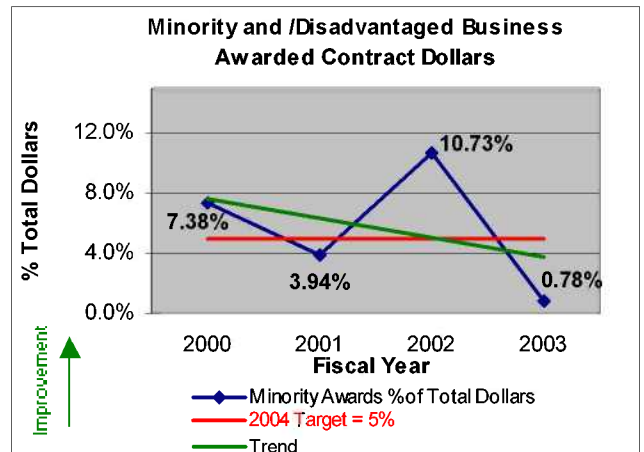
Factor(s) Required for Improvement

Mentoring of MBE/DBE firms by established General Contractors and an increased focus on MBE/DBE networking and process education and training.

Metric Data

Total Awarded Contract Dollars			
Fiscal Year	Total Awarded Amount	Total Minority Amount	Minority Awards % of Total Dollars
2000	\$ 191,914,550	\$ 14,161,172	7.38%
2001	\$ 119,299,927	\$ 4,698,208	3.94%
2002	\$ 206,561,157	\$ 22,154,469	10.73%
2003	\$ 158,062,246	\$ 1,229,284	0.78%

Total Awarded Contracts			
Fiscal Year	Contracts Awarded	Minority Awarded	Minority Awards % of Total Awards
2000	231	3	1.3%
2001	268	19	7.1%
2002	236	20	8.5%
2003	219	5	2.3%



YIELD ON STATE INVESTMENTS

Goal 2 - To Deliver Quality Service by Focusing on Our Customers

Objective 2.4 - Increase Customer Satisfaction

Performance Measure: Yield on State Investments

Measure Owner: George R. Burgess, Jr., Office of Financial Management

Background

The Office of Financial Management (OFM) serves as staff to the State Investment Commission (SIC). SIC has responsibility for the investment of excess cash and is charged with the responsibility of attempting to get the best return available without assuming unreasonable risk. Given the investments permitted under KRS 42.500, OFM performs those duties utilizing a pool management strategy that separates over 5,700 accounts into one of four pools in order to effectively manage and account for those activities.

Purpose of Measure

SIC has adopted the use of an index that is constructed to reflect the permitted investments. OFM produces a monthly report, as required by law that compares the pools to the index.

When the comparison of the actual yield for the pools being compared exceeds the index, OFM believes it has structured the assets appropriately for the kind of market in which it finds itself.

A comparison below the index would demonstrate that a review is needed of the allocation of funds among the various asset classes, the maturity of those assets given the particular yield curve at the time and whether or not there are opportunities to exchange assets or acquire new assets that would move the overall yield above the index.

Factor(s) Affecting Variability

Each day the market presents a different set of variables. The ability to "beat" the Index is dependent upon the ability of management to acquire appropriate assets at a given point in time that fit the investment goals of safety, liquidity and yield. In addition, funds need to be available when the opportunity to acquire assets presents itself.

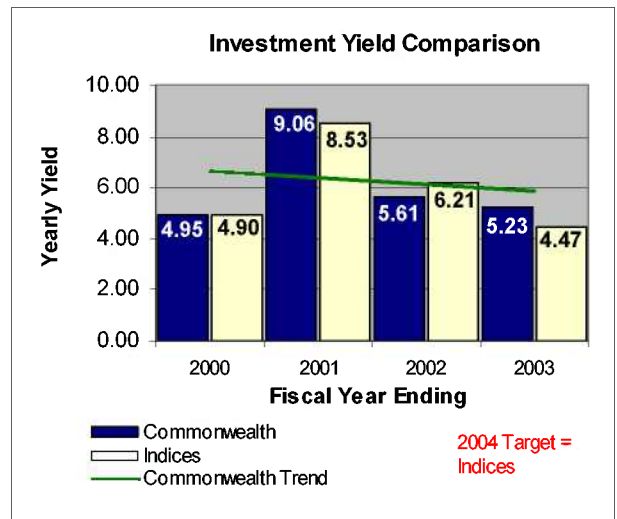
Factor(s) Required for Improvement

OFM needs to maintain the flexibility to make changes in various components of the portfolio. One area that would vastly improve the ability to target the investment of funds is to understand the predictability of the need for funds.

While OFM has prior knowledge of large disbursements and receipts, there are no effective cash flow predictors that allow a closer match of maturities and fund needs.

Metric Data

Investment Yield Comparison		
Fiscal Year Ending	Commonwealth	Indices
2000	4.95	4.90
2001	9.06	8.53
2002	5.61	6.21
2003	5.23	4.47



BOND INTEREST COSTS

Goal 2 - To Deliver Quality Service by Focusing on Our Customers

Objective 2.4 - Increase Customer Satisfaction

Performance Measure: Commonwealth Bond Interest Costs Compared to Benchmark

Measure Owner: George R. Burgess, Jr., Office of Financial Management

Background

The Commonwealth utilizes bond funds to finance major capital and related projects approved by the General Assembly. The primary issuer of that debt is the State Property and Buildings Commission (SPBC), whose bonds are supported by appropriations made by the Legislature. The Commonwealth has not issued General Obligation bonds since the early 1960s. As a result, appropriation supported bonds are viewed in the market place as the primary market access and credit of the state. Although the lease payments are not an absolute pledge of the taxing power of the state, the buying public has become very confident that the budget will continue to include these funds. For that reason, the Office of Financial Management has elected to compare the cost of borrowing funds to the Bond Buyer General Obligation (G.O.) 20 year Index which is published every Thursday. The chart shows how the cost of bonds has compared to the Index for the last three fiscal years in which SPBC issued General Fund supported obligations.

Purpose of Measure

By comparing the cost of borrowing to the Index, OFM can determine how SPBC bonds compare to similar issues in the market place during the same time period.

An improvement would require the bond issue to receive a cost of borrowing that is always below the Index. A variety of factors will affect the ability to maintain that performance. Among these are credit rating, the term and amount of debt issued by SPBC and the type of credits competing in the marketplace at the time of sale.

Factor(s) Affecting Variability

The SPBC can only issue bonds for projects approved by the General Assembly. The absence of a budget does not impact the ability to issue refunding bonds, but does impact the ability to issue bonds for new projects. In addition, the ability to maintain at least one AA rating by a nationally recognized rating service is an important factor. The lack of a Budget Reserve Trust Fund and a structurally balanced budget are factors that will affect that rating. Positive factors include the centralized management of the debt function and the use of consensus forecasts in developing revenue estimates that support the budget.

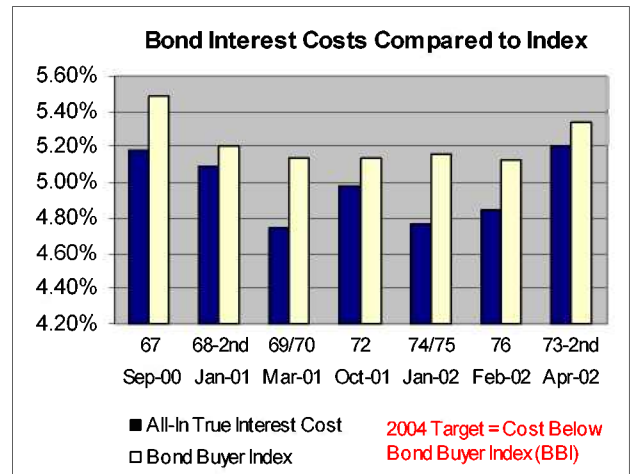
"The Way"
Fiscal Year 2003

Factor(s) Required for Improvement

The enactment of a structurally balanced budget for FY2005-2006 is the major factor impacting the continued ability to issue bonds by the State Property and Buildings Commission.

Metric Data

Bond Interest Cost			
Issuance Date	Issue Number	All-In True Interest Cost	Bond Buyer Index
Sep-00	67	5.18%	5.49%
Jan-01	68-2nd	5.09%	5.20%
Mar-01	69/70	4.74%	5.14%
Oct-01	72	4.98%	5.14%
Jan-02	74/75	4.77%	5.16%
Feb-02	76	4.84%	5.13%
Apr-02	73-2nd	5.20%	5.34%



Finance and Administration
Cabinet

BENEFIT OF TAX/REVENUE NOTES

Goal 2 - To Deliver Quality Service by Focusing on Our Customers

Objective 2.4 - Increase Customer Satisfaction

Performance Measure: Economic Benefit of Tax and Revenue Anticipation Notes (TRANs)

Measure Owner: George R. Burgess, Jr., F. Thomas (Tom) Howard, Office of Financial Management

Background

The Kentucky Asset/Liability Commission (ALCo) was created in the 1997 Third Extraordinary Session of the General Assembly. The Office of Financial Management (OFM) serves as staff to ALCo. This organization is responsible for managing the timing mismatch between General Fund revenues and expenditures during a fiscal year through the issuance of Tax and Revenue Anticipation Notes (TRANs). OFM has issued TRANs for each fiscal year beginning with 1998.

Purpose of Measure

The ability to issue TRANs allows the state to borrow money at a tax-exempt rate in the market place rather than having to pay a taxable rate to use funds of other governmental units. The guidelines approved by the State Investment Commission require OFM to pay the owner of those funds a rate equal to the market rate on the applicable investment pool at that time. If funds are needed on any particular day then the least costly funds are being used. Typically, this results in an economic benefit to the General Fund of either investment income on the TRAN until funds are needed or a lower cost of borrowing when funds are needed. The lower cost of borrowing also means that the agencies who own the funds are able to receive higher yields because their funds can be invested for longer terms.

Factor(s) Affecting Variability

The major factors affecting the economic benefit of a TRAN are the amount borrowed and the timing of that borrowing. Traditionally the TRAN is sold and money deposited on the first working day of July. This permits OFM to have access to the funds until the major disbursement of funds occurs in late July and early August. The longer OFM has access to the funds the more effectively it can invest the funds and manage the cash of other entities.

The amount of the borrowing is determined by an analysis of general fund cash flows. OFM has historical information covering eight years and can predict with a reasonable degree of accuracy the maximum amount of funds needed. This helps determine the size of the borrowing and the management of funds to ensure that the TRAN will meet all IRS guidelines.

The ability to have information on the most recently completed fiscal year is very important in receiving a rating on the TRAN.

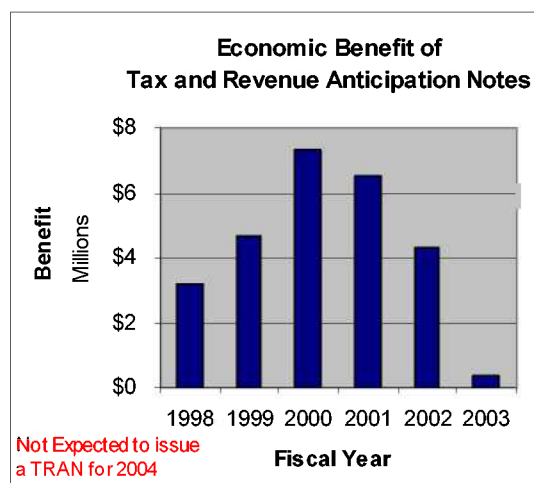
Information concerning the projected revenues and expenditures for the year for which the funds are being borrowed is critical.

Currently, the short-term tax-exempt money markets are experiencing severe yield compression when compared to taxable money market instruments due to the very low interest rate environment. As a result of this compression, it is currently less expensive to borrow internally than in the tax-exempt market and ALCo does not expect to issue a TRAN for Fiscal Year (FY) 2004. This market dislocation should subside when interest rates rise.

Due to changes in accounting practices the Economic Benefit amount dropped one million dollars for FY2002. The changes made coincide with accounting practices for FY2003.

Metric Data

Tax and Revenue Anticipation Notes	
Fiscal Year	Economic Benefit
1998	\$3,200,000
1999	\$4,700,000
2000	\$7,300,000
2001	\$6,500,000
2002	\$4,300,000
2003	\$350,000



TIMELY FINANCIAL REPORTING

Goal 2 - To Deliver Quality Service by Focusing on Our Customers

Objective 2.4 - Increase Customer Satisfaction

Performance Measure Timely Comprehensive Annual Financial Report (CAFR) Completion

Measure Owner: Stuart Weatherford, Office of the Controller

Background

Timely and accurate financial reporting sets a strong foundation for government operations, minimizing the borrowing cost of funds in the open market allowing agencies to meet their cash flow needs and programmatic responsibilities.

The Government Finance Officers Association (GFOA) established the Certificate of Achievement for Excellence in Financial Reporting Program in 1945 to recognize and encourage excellence in financial reporting by state and local governments.

Approximately 3,000 reports are submitted for review each year. Currently there are only eight (8) states that have received the award more times than the Commonwealth of Kentucky.

The Finance & Administration (F&A) Cabinet, Office of the Controller has a strong history completing the 16th consecutive year of certification.

Purpose of Measure

This metric measures the length of time that it takes to restate accounting activity from the modified cash basis required by Kentucky statutes to the appropriate accounting presentation required by the Governmental Accounting Standards Board (GASB) Standards.

While troubled times and economic policy decisions can affect the quality of the open market debt instruments, timely and accurate reporting in accordance with GASB Statements and Generally Accepted Accounting Principles (GAAP) instills public confidence.

Factor(s) Affecting Variability

The successful implementation of GASB Statement No. 34 (GASB 34) will weigh heavily on the effort to receive future certifications. The change in accounting systems and practices introduce uncertainty into the annual reporting process. Attracting and maintaining the experience base to produce the report is also an ever-present danger.

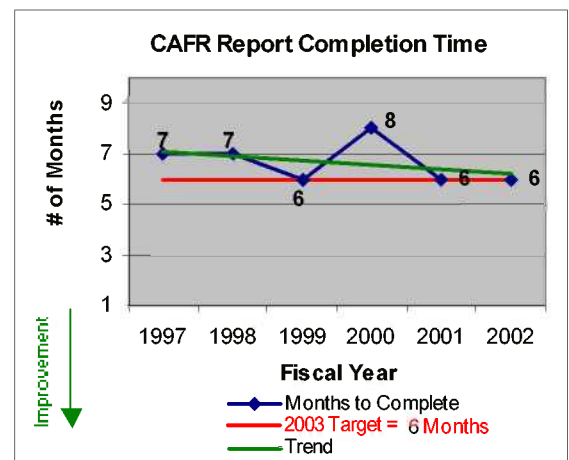
Fiscal Year 2000 was the first year that the CAFR was produced from the Management Administrative Reporting System (MARS). This new system resulted in additional work by staff in both the Controller's Office and in the Auditor of Public Accounts.

Factor(s) Required for Improvement

Attracting and maintaining experienced personnel in the Office of the Controller and lead fiscal agency roles will continue this pattern of excellent reporting.

Metric Data

CAFR Report Completion Time	
Fiscal Year	Months to Complete
1997	7
1998	7
1999	6
2000	8
2001	6
2002	6



CUSTOMER COMPLAINTS-BUILDING OCCUPANTS

Goal 2 - To Deliver Quality Service by Focusing on Our Customers

Objective 2.4 - Increase Customer Satisfaction

Performance Measure: Major Customer Complaints – Building Occupants

Measure Owner: Ellen Nolan, Department for Facilities Management (DFM)

Background:

Providing a quality workplace is the objective of the DFM. It is of the highest importance to our customers and a key priority of the Finance & Administration Cabinet (F&A).

This measurement tracks, on an annual basis, the number of major complaints from the tenants in facilities for which the DFM is responsible. The Division of Building Services is the department's primary contact with tenants. This Division collects the customer complaints and works with other DFM Divisions to resolve. A major complaint is defined as one that requires a cost over \$1,000 to resolve or requires intervention by an Assistant Director or above.

The acceptable number of major complaints is four (4) per year. The acceptable number is based upon the following considerations: total number of buildings (22 Cabinet-owned buildings in Fiscal Year 2002); total number of tenants (approximately 5,000 from 51 agencies); age/condition of buildings and building systems; health and safety of tenants/visitors; criticality of agency operations to the Commonwealth; and impact of projects to improve buildings and building systems. In addition, DFM provides some maintenance services in other agency-owned buildings.

Purpose of Measure

This measure will assist the Department for Facilities Management in judging its effectiveness toward maintaining a comfortable and productive working environment for customers occupying space administered by the Finance and Administration Cabinet.

Factor(s) Affecting Variability

Variability of this metric may result from temporary inconveniences to tenants due to structural or mechanical failures. Such inconveniences may include roof leaks, heating or cooling failures, other project work, or temporary relocations within a building. Unfortunately, temporary displacement of tenants may sometimes be necessary to address maintenance needs. The open FY2003 complaint is from Natural Resources and Environmental Protection Cabinet (NREPC) tenants at the (Madisonville State Office Building (MSOB).

Complained to Personnel Board on physical conditions at MSOB.

In late December 2002, the Personnel Board directed Finance to request Kentucky - Occupational Safety & Health (KY-OSH) to conduct another inspection. KY-OSH indicates NREPC is the agency that must request the inspection. Finance-DFM cannot respond until KY-OSH inspects and NREPC provides Finance the findings. Finance DFM had not received the KY-OSH inspection results on June 30, 2003.

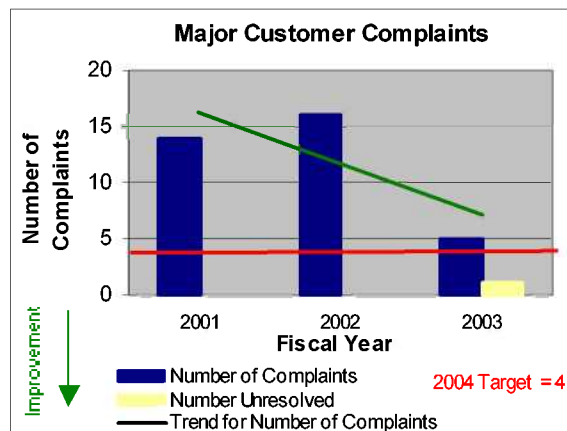
Factor(s) Required for Improvement

Increase focus on preventative maintenance to lower the risk of building, equipment, and structural failures.

Increased focus on communications and alleviating tenant "frustrations" by soliciting and obtaining tenant input into project planning, scheduling/phasing, and program disruptions.

Metric Data

Department for Facilities Management			
Customer Complaints			
Fiscal Year	Number of Complaints	Number of Complaints Resolved	Number Unresolved
2001	14	14	0
2002	16	11	0
2003	5	4	1



*The Way
We Make Government Go!*

*To Create an Atmosphere
Where People Succeed*

WORKFORCE DIVERSITY

Goal 3 - To Create an Atmosphere Where People Succeed

Objective 3.1 – Achieve Workforce Diversity that Reflects the Workforce of Kentucky

Performance Measure: Workforce Diversity - Actual Employment Percentage Compared to Statewide Goal

Measure Owner: Byron Costner, Office of Equal Employment Opportunity and Contract Compliance

Background

Governor Paul E. Patton's Affirmative Action Plan for Kentucky State Government established a 7.51% goal for minority employment and a 52.42% goal for female employment. In 1997, the Finance and Administration (F&A) Cabinet adopted the state plan in its own affirmative action plan.

The workforce diversity metric is a measure of the Cabinet's efforts to employ minorities and females to the extent minorities and females are available in the Commonwealth's civilian labor force.

The data for this metric is derived from the Personnel Cabinet and the Cabinet's EEO Quarterly Reports. Based on parameters set by the 1990 Census, the civilian labor force includes persons 16 years of age and older.

Purpose of Measure

The "**Actual**" percentage represents the percent of workforce that is minority at the end of a fiscal year. It also reflects the progress that the Cabinet is making to achieve that goal.

Factor(s) Affecting Variability

Factors that may impact the Cabinet's ability to reach minority and female hiring goals include hiring freezes and retirements. Changes in Kentucky's demographics, i.e., continued increases in the Hispanic and other minority populations, could result in a higher minority-hiring goal.

In Fiscal Year (FY) 2003, fewer positions were filled than in the past years. Females comprised 42.48% of those hired in FY2003, and also departed the cabinet at a higher percentage, resulting in a reduction in our female employees.

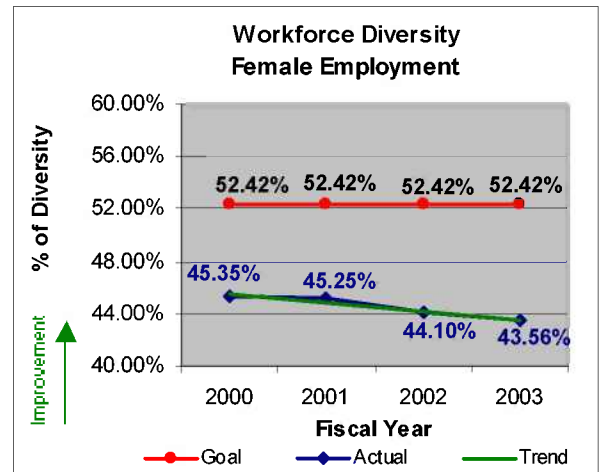
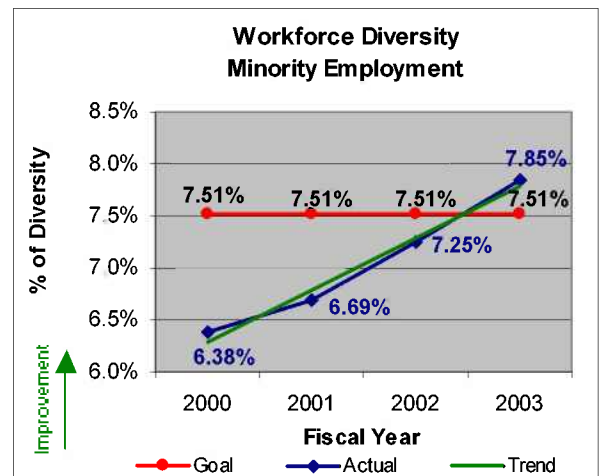
The actual increase in the cabinet's minority workforce is related to the reduction to the entire workforce. The minority workforce remained relatively the same while the total number of cabinet employees decreased.

Factor(s) Required for Improvement

During FY2001, the Cabinet revised the job interviewing process to ensure that a representative number of minorities and females are interviewed for vacant positions. In terms of future issues to be addressed, targeted recruiting in the engineering field is a key area for improvement.

Metric Data

F&A Workforce Diversity				
Fiscal Year	Minority		Female	
	Goal	Actual	Goal	Actual
2000	7.51%	6.38%	52.42%	45.35%
2001	7.51%	6.69%	52.42%	45.25%
2002	7.51%	7.25%	52.42%	44.10%
2003	7.51%	7.85%	52.42%	43.56%



DIVERSITY OF NEW HIRES

Goal 3 - To Create an Atmosphere Where People Succeed

Objective 3.1 – Achieve Workforce Diversity that Reflects the Workforce of Kentucky

Performance Measure: Diversity of New Hires

Measure Owner: Byron Costner, Office of Equal Employment Opportunity and Contract Compliance

Background

Governor Paul E. Patton's Affirmative Action Plan for Kentucky State Government established a 7.51% goal for minority employment and a 52.42% goal for female employment. In 1997, the Finance & Administration Cabinet adopted the state plan in its own affirmative action plan. The diversity of new hires metric is a measurement of the Cabinet's efforts to employ minorities to the extent they are available to the work force.

The information provided for this metric is from the Cabinet's EEO Quarterly reports, whose data is obtained from the Personnel Cabinet.

Purpose of Measure

The "**Actual**" percentage represents the percent of minority employees hired during a fiscal year. It also reflects the progress that the Cabinet is making to achieve that goal.

Factor(s) Affecting Variability

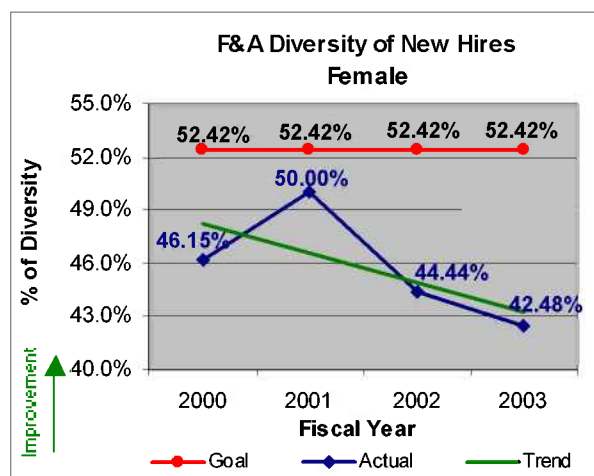
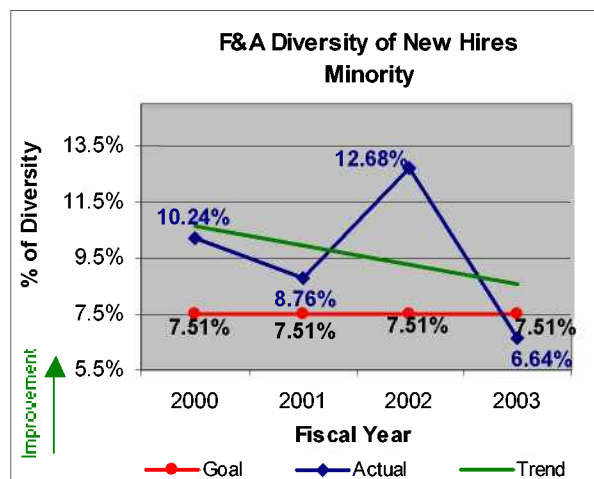
Several factors may impact the Cabinet and its ability to hire minorities. These may include budgetary constraints, hiring freezes, and an available pool from which to select applicants. The Cabinet experienced a decrease in the hiring of minorities and females during this period. This could be a direct result of the continued hiring freeze and the lack of overall positions that were made available to be filled.

Factor(s) Required for Improvement

During Fiscal Year 2001, the Cabinet revised the job interviewing process to ensure that a representative number of minorities are interviewed for vacant positions. This effort resulted in an increase of new hires. Areas, which need to be addressed, are in the middle grades to mid-management positions, which tend to show deficiencies in minority hiring. Recruitment efforts need to be increased both internally (Internal Mobility) and externally (Competitive Registers) i.e. career fairs, and college placement offices. As more positions are made available, the opportunity to hire more minorities and females will present itself.

Metric Data

F&A Diversity of New Hires				
Fiscal Year	Minority		Women	
	Goal	Actual	Goal	Actual
2000	7.51%	10.24%	52.42%	46.15%
2001	7.51%	8.76%	52.42%	50.00%
2002	7.51%	12.68%	52.42%	44.44%
2003	7.51%	6.64%	52.42%	42.48%



EMPLOYEES TRAINED

Goal 3 - To Create an Atmosphere Where People Succeed

Objective 3.2 – Enhance Employees’ Professional Skills

Performance Measure: Percentage of Employees Trained

Measure Owner: Yvette Smith/Todd Bailey, Office of Management and Budget

Background

One objective of the Finance and Administration (F&A) Cabinet is to enhance employees’ professional skills to better serve customers.

This metric reflects training offered by the Customer Resource Center, Governmental Services Center, Governor’s Office of Technology and other outside sources. A variety of training and educational experiences are included in the metric: personal computer software and skills; networking; programming; professional and personal development programs; information technology; and management development programs.

This metric is not reflective of all internal training offered since not all such training is tracked, e.g. cross training.

The following departments are included in F&A: Administration, Facilities Management, Office of the Controller and Office of the Secretary. Agencies that are administratively attached to the F&A Cabinet are not reflected in this metric.

The data was obtained from the Governmental Services Center Registrar database. This database is used to track training for all state government employees.

Purpose of Measure

These measurements track the number of employees that received training when compared to total employees of the F&A Cabinet by fiscal year.

Factor(s) Affecting Variability

In Fiscal Year 1999 a new accounting, procurement and budgeting system known as the Management Administrative Reporting System (MARS) was implemented. Training for all components of the new system was developed and is offered on a continuing basis to the workforce.

Factors impacting variability include budgetary concerns and staffing levels. Given the current budgetary constraints and with the ability to fill vacancies uncertain, employees may not have the time to pursue training.

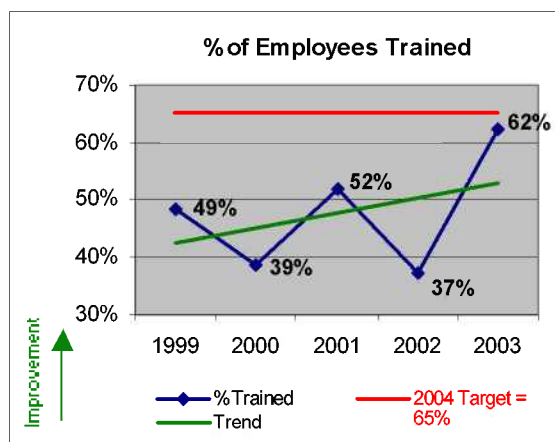
Further, funding for training may be limited or unavailable.

Factor(s) Required for Improvement

Factors required for improvement may include employee incentives and cross training. Additional incentives may be offered to increase employee involvement in training. One specific approach might include Cabinet level recognition for employees that earn special licenses, degrees, certificates, etc. In terms of cross training, the development and implementation of such a program would provide additional educational opportunities for the Cabinet’s employees.

Metric Data

Finance and Administration				
Fiscal Year	Total Employees Trained	Total Employees	% Trained	Classes Taken
1999	356	734	49%	1318
2000	278	717	39%	894
2001	365	705	52%	997
2002	246	658	37%	798
2003	402	645	62%	914



EMPLOYEES' TRAINING NEEDS

Goal 3 - To Create an Atmosphere Where People Succeed

Objective 3.2 – Enhance Employees' Professional Skills

Performance Measure: Employees Indicating Additional Training Needs

Measure Owner: Yvette Smith/Todd Bailey, Office of Management and Budget

Background

One objective of the Finance and Administration (F&A) Cabinet is to enhance employees' professional skills to better serve customers. To create an atmosphere where people succeed, F&A will need to ensure all employees receive the right training based on skills and abilities, potential for growth, duties and responsibilities, etc.

The data was compiled from an annual employee survey. Nearly two-thirds of the Cabinet's employees responded. The 2003 data reflects the percentage of employee responses indicating that the employees do not have the training needed to do their jobs well.

The following departments are included in the F&A Cabinet: Administration, Facilities Management, Office of the Controller, and Office of the Secretary. Agencies that are administratively attached to the F&A Cabinet are not reflected in this metric.

In an effort to ensure anonymity survey groups were formed. The group numbers and departmental make-up of each group are defined below:

0. Office of the Secretary, Legal and Legislative Services, Administrative Policy and Audit, Equal Employment Opportunity/Contract Compliance, Management and Budget, Technology Services, Customer Resource Center, Capital Plaza Operations, and Financial Management.
1. Office of the Controller, Statewide Accounting, and Social Security.
2. Commissioner for Administration's Office, Risk Management, Material and Procurement Services, Occupations and Professions, and Creative Services.
3. Printing, Postal Services, and Surplus Property.
4. Facilities Management: Commissioner's Office, Engineering, Contracting and Administration, Real Properties, and Historic Properties.
5. Facilities Management: Building Services.
6. Facilities Management: Mechanical Maintenance and Operations.

Purpose of Measure

This metric provides qualitative data that will aid in monitoring the training needs of the F&A Cabinet workforce. The survey question states, *"I have the training I need to do my job well."*

"The Way"
Fiscal Year 2003

In 2002, the survey question read, "I could do my job better if I had the right training. The wording was changed in 2003 as the consensus was that all employees could do their jobs better if they had the "right" training. As such, the cabinet believes that the question in its original form did not provide an adequate sampling of the actual need for additional training.

A decrease in the percentage of employees indicating that they do not have the training they need to do their jobs well would indicate enhancement of employees' professional skills is being achieved.

Factor(s) Affecting Variability

Factors impacting variability include budgetary concerns and staffing levels. Given the current budgetary constraints and with the ability to fill vacancies uncertain, employees may not have time to pursue training.

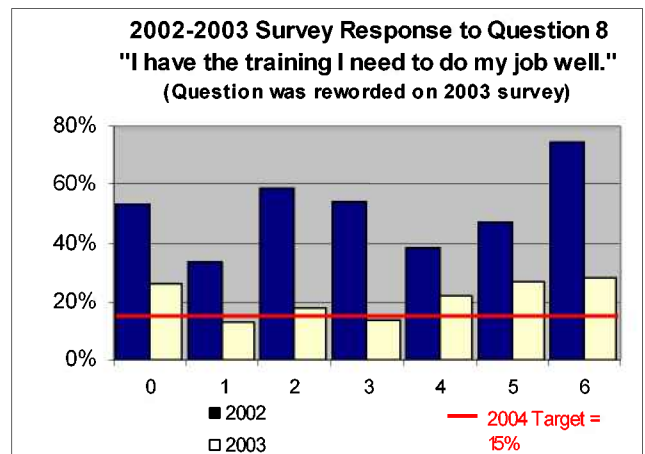
Rewording the question in 2003 more than likely contributed to the employees' perception of the question and will be further assessed following the 2004 survey.

Factor(s) Required for Improvement

Factors required for improvement may include incentives to increase employee involvement in training, providing opportunities for employees to earn special licenses, degrees or certificates, and developing training plans during the employee performance evaluation.

Metric Data

% of Employees Indicating Additional Training Needs								
Survey Date	Survey Group Percentages							F&A AVG
	0	1	2	3	4	5	6	
2002	54%	33%	59%	54%	38%	47%	75%	48%
2003	26%	13%	18%	14%	22%	27%	28%	23%



Finance and Administration
Cabinet

EMPLOYEE SAFETY

Goal 3 - To Create an Atmosphere Where People Succeed

Objective 3.3 - Ensure Employee Safety

Performance Measure: Employee Safety Concerns in Survey Response

Measure Owner: Yvette Smith/Todd Bailey, Office of Management and Budget

Background

In order to create an atmosphere where people succeed, the Finance and Administration (F&A) Cabinet must ensure employee safety. Using information from the employee survey will enable the F&A Cabinet to determine how safe employees feel at work.

The data was compiled from an annual employee survey. Nearly two-thirds of the cabinet's employees responded. The data reflects the percentage of responses from employees indicating that they feel "safe at work."

The following departments are included in the F&A Cabinet: Administration, Facilities Management, Office of the Controller, and Office of the Secretary. Agencies that are administratively attached to the F&A Cabinet are not reflected in this metric.

In an effort to ensure anonymity survey groups were formed. The group numbers and departmental make-up of each group are defined below:

0. Office of the Secretary, Legal and Legislative Services, Administrative Policy and Audit, Equal Employment Opportunity/Contract Compliance, Management and Budget, Technology Services, Customer Resource Center, Capital Plaza Operations, and Financial Management.
1. Office of the Controller, Statewide Accounting, and Social Security.
2. Commissioner for Administration's Office, Risk Management, Material and Procurement Services, Occupations and Professions, and Creative Services.
3. Printing, Postal Services, and Surplus Property.
4. Facilities Management: Commissioner's Office, Engineering, Contracting and Administration, Real Properties, and Historic Properties.
5. Facilities Management: Building Services.
6. Facilities Management: Mechanical Maintenance and Operations.

"The Way"
Administration
Fiscal Year 2003

Purpose of Measure

This metric provides qualitative data that is indicative of how safe the F&A Cabinet workforce feels doing their jobs. The survey question states, **"I feel safe at work."**

A high percentage may indicate success in ensuring that employees feel safe.

Factor(s) Affecting Variability

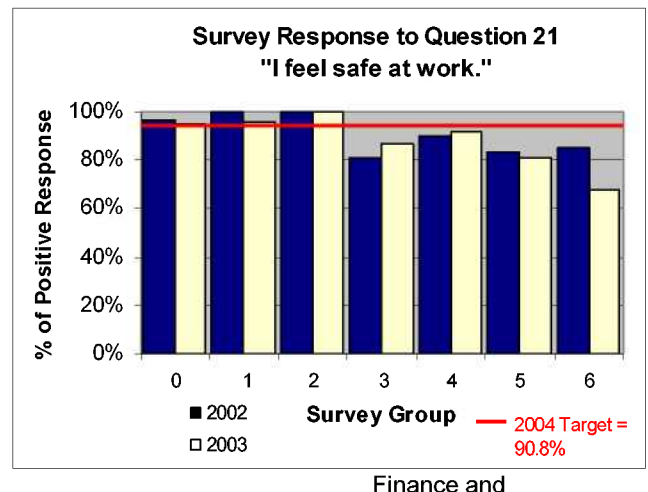
Since the tragic events of September 11, 2001, a lost sense of security has impacted most employees. While the war on terrorism has affected all sectors of government, the most significant impact has been on postal, building services, and mechanical maintenance and operations employees and the way they conduct business. In 2003, the percentage of Group 6 employees indicating they felt safe at work dropped 18 percentage points to 68% which affected the cabinet average. However, at the time the employees received the survey, there was an infestation of mice and a large snake in their building.

Factor(s) Required for Improvement

Technology, equipment and training are all factors required for improvement. Advanced technology and equipment are critical for screening mail, visitors, etc. More visible security measures, e.g. increased number of security guards, may give employees a better sense of security. Security/emergency situation training for all employees will provide basic information and may help to reduce anxiety.

Metric Data

% of Employees Indicating They Feel Safe At Work								
Survey Date	Survey Group Percentages							F&A AVG
	0	1	2	3	4	5	6	
2002	97%	100%	100%	81%	90%	84%	86%	89%
2003	95%	96%	100%	87%	92%	81%	68%	86%



Finance and

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OSHA REPORTABLE INCIDENTS

Goal 3 - To Create an Atmosphere Where People Succeed

Objective 3.3 - Ensure Employee Safety

Performance Measure: Occupational Safety & Health Administration (OSHA) Reportable Incidents

Measure Owner: Yvette Smith/Todd Bailey, Office of Management and Budget

Background

To create an atmosphere where people succeed the Finance and Administration (F&A) Cabinet must ensure employee safety. The number of injuries requiring medical treatment is directly related to employees' safety on the job. Safe work habits and a safe work environment can help minimize job-related injuries. Efforts to improve job safety should cause recordable injuries to decrease and result in reduced costs to the Cabinet in lost workdays and workers' compensation claims.

Data was collected from the F&A's OSHA logs and is based on calendar years. A Workers' Compensation claim is also recorded as an OSHA recordable incident for any injury that requires medical treatment. The formula for calculating the incident rate is the number of Recordable OSHA Injuries multiplied by 200,000 and divided by the total hours worked for the year.

The following departments are included in the F&A Cabinet: Administration, Facilities Management, Office of the Controller, and Office of the Secretary. Agencies that are administratively attached to the F&A Cabinet are not reflected in this metric.

Purpose of Measure

This measurement tracks the number of OSHA reportable accidents on a year-to-year basis. A goal for the cabinet would be a reduction in OSHA reportable incidents.

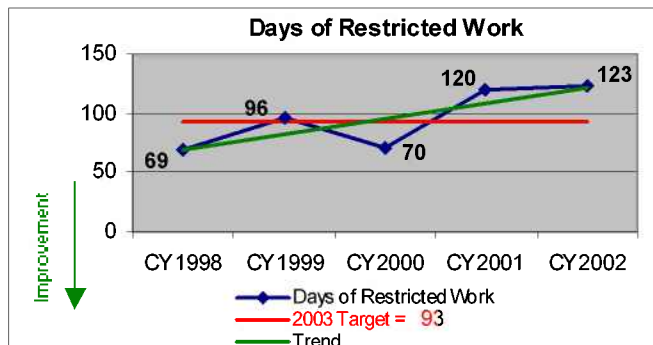
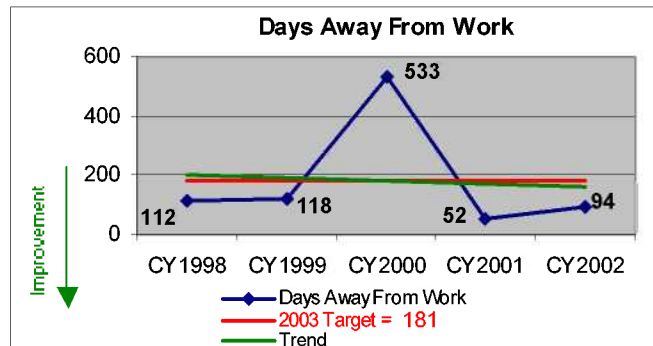
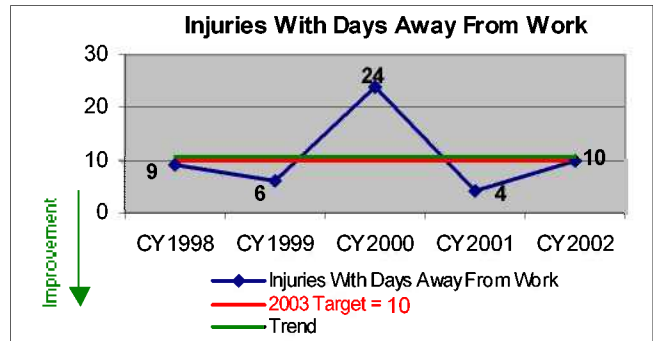
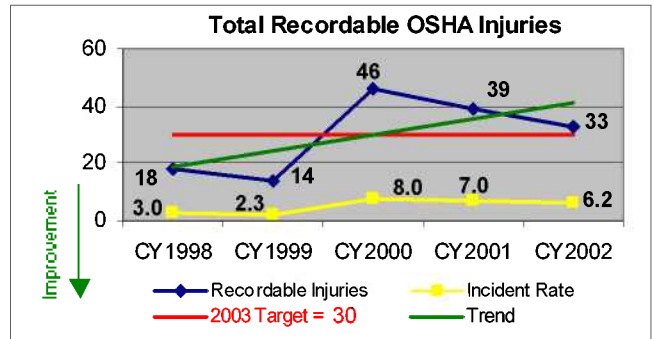
Factor(s) Affecting Variability

Restricted duty and lost workdays were factors impacting variability. During 2002, one employee had 79 days of restricted work. In 2001, one employee was on restricted duty for 104 days. During 2000, one employee was off for a total of 341 days.

Factor(s) Required for Improvement

Safety training along with safer equipment would improve employee safety. In addition, individual, branch, and division safety awards would help elevate safety as a priority among all employees.

Metric Data



EMPLOYEE TURNOVER

Goal 3 - To Create an Atmosphere Where People Succeed

Objective 3.4 – Promote Employee Retention

Performance Measure: Employee Turnover

Measure Owner: Yvette Smith/Todd Bailey, Office of Management and Budget

Background

Employee turnover is an assessment of the number of separations during a fiscal year. Separations include resignations, retirements and terminations/dismissals. Data pertaining to separations was collected from the Finance and Administration (F&A) Cabinet's Personnel Log, an Access database. The Personnel Log contains information about each personnel action initiated by the Cabinet.

The following departments are included in F&A: Administration, Facilities Management, Office of the Controller, and Office of the Secretary. Agencies that are administratively attached to the F&A Cabinet are not reflected in this metric.

"Workers at Start of Year" represents number of employees at the beginning of the fiscal year.

Purpose of Measure

This measurement tracks employee turnover on a fiscal year basis and is an indicator of employee stability. Stability in the workforce reduces the time and costs associated with recruiting, selecting, hiring and training new employees.

A decrease in employee turnover would indicate employee retention is being achieved while an increase might indicate process improvement is needed.

Factor(s) Affecting Variability

One factor that may impact the Cabinet's ability to decrease employee turnover is attractive retirement incentives.

Factor(s) Required for Improvement

Conduct exit interviews with employees that resign and retire to provide a systematic process for gathering, organizing, analyzing and using vital and often overlooked information about employee turnover issues.

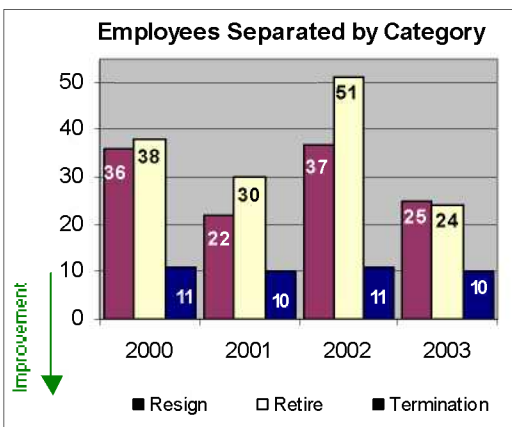
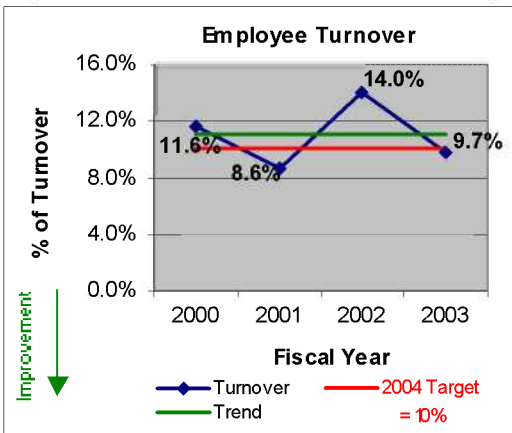
By using qualitative data to identify potential causes of employee dissatisfaction, burnout or apathy, the Cabinet can build a viable retention strategy.

Incentives that will supplement a proactive employee retention program include flexible work schedules, rewards for excellent performance, challenging positions, opportunities for personal development and technical training.

Metric Data

F&A Employee Turnover			
Fiscal Year	Employees at Start of Year	Employees Separated	Turnover
2000	734	85	11.6%
2001	717	62	8.6%
2002	705	99	14.0%
2003	658	59	9.0%

F&A Employees Separated			
Fiscal Year	Resign	Retire	Termination
2000	36	38	11
2001	22	30	10
2002	37	51	11
2003	25	24	10



EMPLOYEE ABSENTEE COST

Goal 3 - To Create an Atmosphere Where People Succeed

Objective 3.4 – Promote Employee Retention

Performance Measure: Employee Absentee Cost

Measure Owner: Yvette Smith/Todd Bailey, Office of Management and Budget

Background

Employee absenteeism is an assessment of the cost of absences during a calendar year.

Absences include approved sick leave, sick approved leave without pay (LWOP) and Unauthorized Absence (Unath. AB).

Data pertaining to absences was collected from the Personnel Cabinet and the Office of Management and Budget.

The following departments are included in F&A: Administration, Facilities Management, Office of the Controller, and Office of the Secretary. Agencies that are administratively attached to the F&A Cabinet are not reflected in this metric.

Purpose of Measure

This measurement tracks employee absenteeism on a calendar year basis.

In many instances, employee absenteeism is related to a lack of motivation—an indicator of dissatisfaction on the job and/or poor communication between employees and their supervisors.

Increased productivity and enhanced performance are direct benefits of a motivated workforce.

A decrease in the absenteeism cost would indicate improvement while an increase might indicate process improvement is needed to promote attendance.

Factor(s) Affecting Variability

A factor that may impact the Cabinet's ability to decrease employee absenteeism is lack of information about the cause of absenteeism.

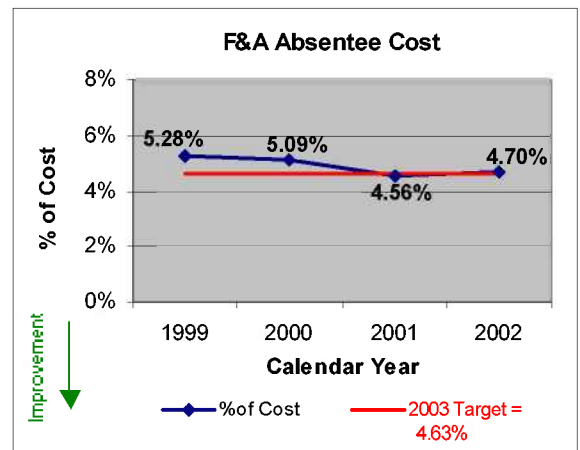
Factor(s) Required for Improvement

Conduct a cabinet-wide assessment to determine the cause of absenteeism. Compile data regarding how many employees were absent, whether there is a difference in the costs between demographic units, which shifts showed the highest absenteeism costs, whether there is a correlation between absenteeism and overtime, etc.

To better gauge improvement or the need for improvement, the Cabinet should establish an absenteeism goal.

Metric Data

F&A Absenteeism Costs					
Calendar Year	Regular Pay	Sick	LWOP	Unath. AB	% of Cost
1999	\$ 18,173,600	\$ 902,866	\$ 56,750	\$ 642	5.28%
2000	\$ 18,285,650	\$ 894,947	\$ 33,900	\$ 2,115	5.09%
2001	\$ 19,085,026	\$ 830,915	\$ 33,320	\$ 6,096	4.56%
2002	\$ 19,377,481	\$ 872,115	\$ 33,140	\$ 5,564	4.70%



EMPLOYEE SATISFACTION

Goal 3 - To Create an Atmosphere Where People Succeed

Objective 3.4 - Promote Employee Retention

Performance Measure: Employee Satisfaction (Survey Responses)

Measure Owner: Yvette Smith/Todd Bailey, Office of Management and Budget

Background

In order to create an atmosphere where people succeed, the Finance and Administration (F&A) Cabinet must promote employee retention. If employees are satisfied with their jobs then employee retention should be maintained. Using information from the employee survey will enable the F&A Cabinet to determine how satisfied employees are with their jobs.

The data was compiled from an annual employee survey. The data reflects the percentage of employees that responded positively to the statement ***"All things considered, I am satisfied with my job."***

The following departments are included in the F&A Cabinet: Administration, Facilities Management, Office of the Controller, and Office of the Secretary. Agencies that are administratively attached to the F&A Cabinet are not reflected in this metric.

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Fiscal Year 2003

Purpose of Measure

This metric provides qualitative data that is indicative of how satisfied the F&A Cabinet workforce and individual survey groups are with their jobs.

Factor(s) Impacting Variability

Since the initial 2002 survey, several survey groups in F&A have new management personnel. Management turnover may cause stress for some employees until the employees become comfortable with new sets of expectations and policies. Another factor that may impact variability is the opportunity for outside training and professional growth and development seminars.

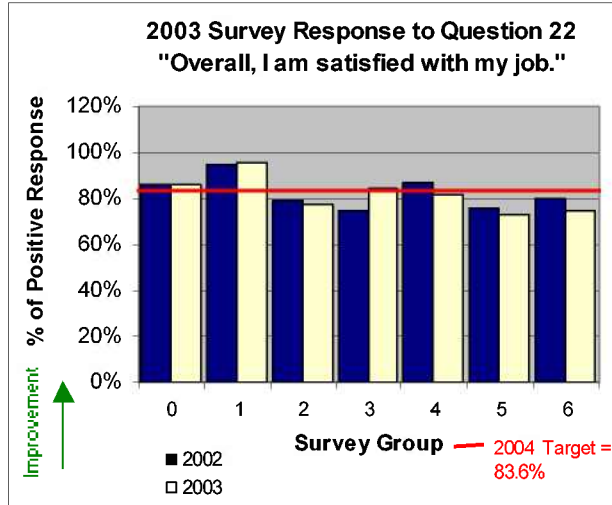
Factor(s) Required for Improvement

Trying to promote from within will give many employees a sense that if they do a good job they may have increased opportunities for advancement. Further, each internal promotion would create new opportunities for other F&A employees.

The potential for personal growth and advancement will promote employee satisfaction. Most employees that have new, varied, or challenging duties and responsibilities will be more satisfied with their jobs.

Metric Data

Employee Satisfaction % of Positive Response								
Survey Date	Survey Group Percentages							F&A AVG
	0	1	2	3	4	5	6	
2002	86%	95%	79%	75%	87%	76%	80%	81%
2003	86%	96%	77%	84%	82%	73%	75%	80%



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